Attachment 8
To Reply Affidavit
Of James S. Kahan

Bank One Corporation Letter of October 9, 1998

Marvin W. Adams
Chief Technology Officer

Banc One Services Corporation
PO Box 711133
Columbus OH 43271 1133

Tel 614 213 5058
Fax 614 213 7062

BANK ONE.

October 9, 1998

CC DOCKET NO. 98-141

Chairman William Kennard
Federal Communications Commission
1919 M Street, N.W.
Washington, DC 20554

Dear Chairman Kennard:

I am writing in reference to CC Docket #98-141, the proposed Ameritech merger with SBC. I am excited by the opportunities for new choices and better services this proposed union will offer BANK ONE CORPORATION now and into the next millennium. BANK ONE could potentially benefit in the following ways:

- We have learned from experience that mergers help an enterprise serve customers better. The SBC/Ameritech merger will give the combined company the size and strength it needs to compete against larger national players.
- BANK ONE could possibly be able to leverage its spending in the SBC region with spending in the Ameritech region and achieve better volume-based pricing.
- The merger of Ameritech and SBC will expand their reach in the telecommunications industry and better enable them to serve BANK ONE's expanding footprint.

I support the proposed merger between Ameritech and SBC, which makes good sense for large business customers.

Sincerely,

Marvin W. Adams
Chief Information and Technology Officer
BANK ONE CORPORATION

cc: Ann Howat, Manager
Ameritech

Attachment 9
To Reply Affidavit
Of James S. Kahan

Huntington Banks Letter of October 12, 1998

Douglas J. Spence, President
Huntington Service Company
P.O. Box 1558
Columbus, Ohio 43216
614-480-8008

October 12, 1998

Chairman William Kennard
Federal Communications Commission
1919 M Street, N.W.
Washington, DC 20554

Dear Chairman Kennard,

I am writing to you to reinforce our belief that the planned merger of SBC/Ameritech will be good for Huntington Bank. With their combined reach, we would be much more inclined to view them as a truly national strategic partner.

Additionally, we are enthusiastic that this initiative will spur increased local competition, while also proving to be beneficial from an innovation and service quality standpoint as well. Please give this your full consideration as you evaluate CC Docket #98-141.

Sincerely,

Doug Spence

Douglas J. Spence
President
Huntington Service Company

DJS:bk
(letter.ds)

Attachment 10
To Reply Affidavit
Of James S. Kahan

Shell Oil Company Letter of October 1, 1998

Shell Oil Company

One Shell Plaza
PO Box 2463
Houston TX 77252-2463
(713) 241-2417

FAX: (713) 241-5841

Planning, Finance & Investment Services
Management Consulting Services

October 1, 1998

Magalie Roman Salas
Commission Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

Re: Comments for CC Docket No. 98-141

Dear Ms. Salas:

Pursuant to Section 1.419(b) of the Commission's Rules, Shell Oil Company is submitting the following comments to convey its support of the merger and related transfer application of SBC Communications Inc. ("SBC") and Ameritech Corporation ("Ameritech").

Shell Oil Company ("Shell"), a wholly-owned subsidiary of Royal Dutch/ Shell Transport and Trading Group, p.l.c. ("Royal Dutch/Shell Group"), is one of America's leading oil and natural gas producers, manufacturers, transporters, and marketers of oil and chemical products. Shell is headquartered in Houston, Texas, but has offices and facilities across the United States, including California, New Orleans, Florida, Atlanta and Chicago. In addition, approximately one-half of the 9,300 Shell service stations scattered across the U.S. are corporately owned by Shell. In 1997, Shell had over 19,000 employees in the U.S. and around the world, and posted net income of $2,104 million. In addition to its U.S. presence, Shell is expanding its global presence through strategic global alliances with other members of the Royal Dutch/Shell Group.

Shell has relied on SBC to provide domestic telecommunications products and services since 1965. SBC has been, and continues to be, Shell's primary local exchange carrier for its offices and plants in Texas, and since SBC's merger with Pacific Telesis, in California as well. Over the years SBC has also worked closely with Shell in the development of new and better products and services. A recent example is SBC's technical trial of new ADSL technology in Houston, Texas. Shell has participated in the

trial of this new technology for the last 18 months, and if the trial is successful, Shell will be able to take advantage of the efficiencies offered by this new technology and obtain a competitive edge in the increasingly competitive oil and energy market.

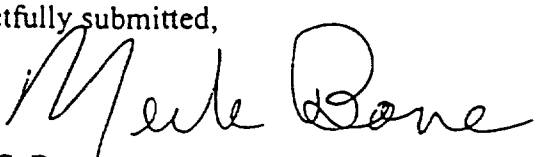
Despite the partnership approach Shell and SBC have adopted, there are important telecommunications needs of the company, which SBC today is unable to satisfy. For example, Shell did not even consider SBC in its most recent solicitation of bids to provide Shell's long distance voice and data service because of SBC's inability to provide service in certain areas of the United States.

Shell clearly would benefit from having the opportunity to consider SBC as a potential carrier in all such competitions. The merger with Ameritech combined with the National-Local Strategy, which SBC has announced, will make SBC the kind of national and global carrier that Shell looks to when purchasing telecommunications services. Following the merger and implementation of the National-Local Strategy, the post-merger SBC/Ameritech will be able to meet over 70-80% of Shell's telecommunications expenditures, as compared to only 66% which SBC alone can meet today. A carrier's ability to provide all or a substantial bundle of services to the company is highly valued by Shell. There are several concrete advantages in having a single vendor for telecommunications. One important advantage is the effect on price. Shell frequently can take advantage of volume discounts or price concessions by purchasing all or a large combination of services from one carrier. Having a single or small number of carriers also provides the advantage of interoperability. As Shell's business has become globalized and its personnel travel all over the world, it has become increasingly important for Shell to have a carrier or carriers that can provide service anywhere, any time, in a way that is transparent to the end user.

Because of the increasingly national and global scope of Shell's business, Shell's vendors need to be national and even global providers in order to effectively compete for Shell's telecommunications business. This merger will permit SBC to be such a competitor, and Shell will benefit from the lower prices and better products and services that come from increased competition in the telecommunications market.

For these reasons, Shell supports approval of the merger of SBC and Ameritech by the Commission.

Respectfully submitted,



Merle C. Bone
Chief Information Officer and Managing Partner

Attachment 11
To Reply Affidavit
Of James S. Kahan

SBC News Release of October 21, 1998
"Senior Executive Named to Direct SBC's Entry into Nation's Top 50 Markets"

SBC Communications Inc.

News Release

For More Information
Selim Bingol
Tel: 210-351-3991
Fax: 210-351-2191
Email: bingols@corp.sbc.com

Senior Executive Named to Direct SBC's Entry into Nation's Top 50 Markets

San Antonio (October 21, 1998)—SBC Communications' (NYSE: SBC) plan to compete for business and residential telecommunications customers coast-to-coast took a major step forward as Stephen M. Carter was named President Strategic Markets in charge of directing the company's "national local" strategy.

"National local" is the strategy that SBC and Ameritech will pursue once the companies' merger is completed. Under this plan, the combined companies will begin competing in the nation's top 50 markets, jumpstarting nationwide competition in local and long distance service for business as well as residential customers.

"We are working hard to shed our position as a regional company and become a national and global competitor," said Edward E. Whitacre Jr., chairman and CEO of SBC. "I can think of no person better qualified than Stephen to help lead us into competition in markets around the country."

"I'm honored and excited by this unique opportunity," said Carter. "We are now intensifying our program to fully develop the 'national local' strategy. Initially, we expect to have 2,900 miles of fiber and 60 switches to serve large and mid-sized business nationally. We also anticipate having 80 switches in thirty markets outside our region to serve residential and small business customers."

More

"Of course, I can't say right now how we will approach a given market, but I can promise that we will compete vigorously for business and residential customers across all lines of service. That's something we have not seen competitors try in our territory so far," said Carter.

Implementation of the "national local" strategy is contingent upon the completion of the SBC-Ameritech merger, which provides both companies the size, scale, scope, customer base and employee talent pool needed to expand successfully and efficiently into the nation's top 50 markets. Neither company can successfully execute the strategy without the merger.

Tim Harden, vice president and general manager-operations, and Terry Bailey, vice president and general manager-strategic markets, will report to Carter.

In his previous position as president of SBC's special markets, Carter was responsible for opening SBC's networks and markets to companies that compete against SBC in its territory. Today, nearly 250 competitors have obtained approximately 1.8 million resold and facilities-based access lines in SBC's seven states. SBC was the first regional Bell operating company to lose more than one million lines to competitors.

Since the two companies announced plans to merge in May, the merger has received clearances from European regulators, and is now being reviewed by the Department of Justice and the Federal Communications Commission. Illinois, Ohio and Indiana have announced plans to review the merger as well. The companies hope to complete the transaction by mid-1999.

SBC Communications Inc. is a global leader in the telecommunications industry, with more than 34.5 million access lines and over 5.9 million wireless customers across the United States, as well as investments in telecommunications businesses in 11 countries. Under the Southwestern Bell, Pacific Bell, Nevada Bell and Cellular One brands, SBC, through its subsidiaries, offers a wide range of innovative services, including local and long-distance telephone service, wireless communications, paging, Internet access, and messaging, as well as telecommunications equipment, and directory advertising and publishing. SBC (www.sbc.com) has more than 118,000 employees and reported 1997 revenues of nearly $25 billion. SBC's equity market value of $81 billion as of September 30, 1998, ranks it as one of the largest telecommunications companies in the world.

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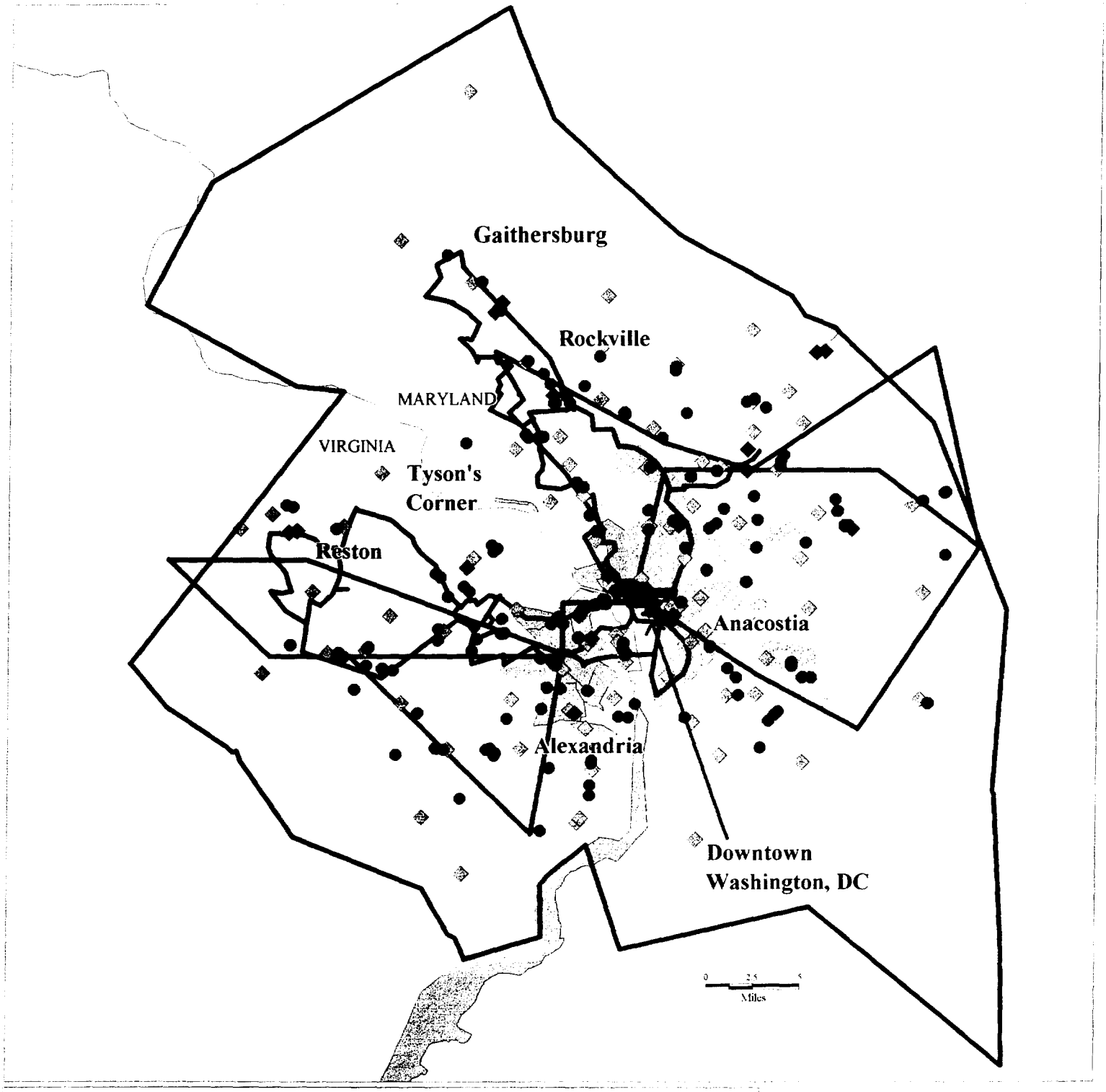
Attachment 12
To Reply Affidavit
Of James S. Kahan

Maps Showing Representative Local Exchange Entry into Washington, D.C.

SBC National Local Strategy Representative Entry
Washington, DC



TOP 25% OF AREA ZIP CODES IN TOTAL POPULATION DENSITY

BOTTOM 25% OF AREA ZIP CODES IN HOUSEHOLD INCOME

TOP 25% OF AREA ZIP CODES IN PERCENT NON-WHITE

ILEC SWITCH

CLEC SWITCH

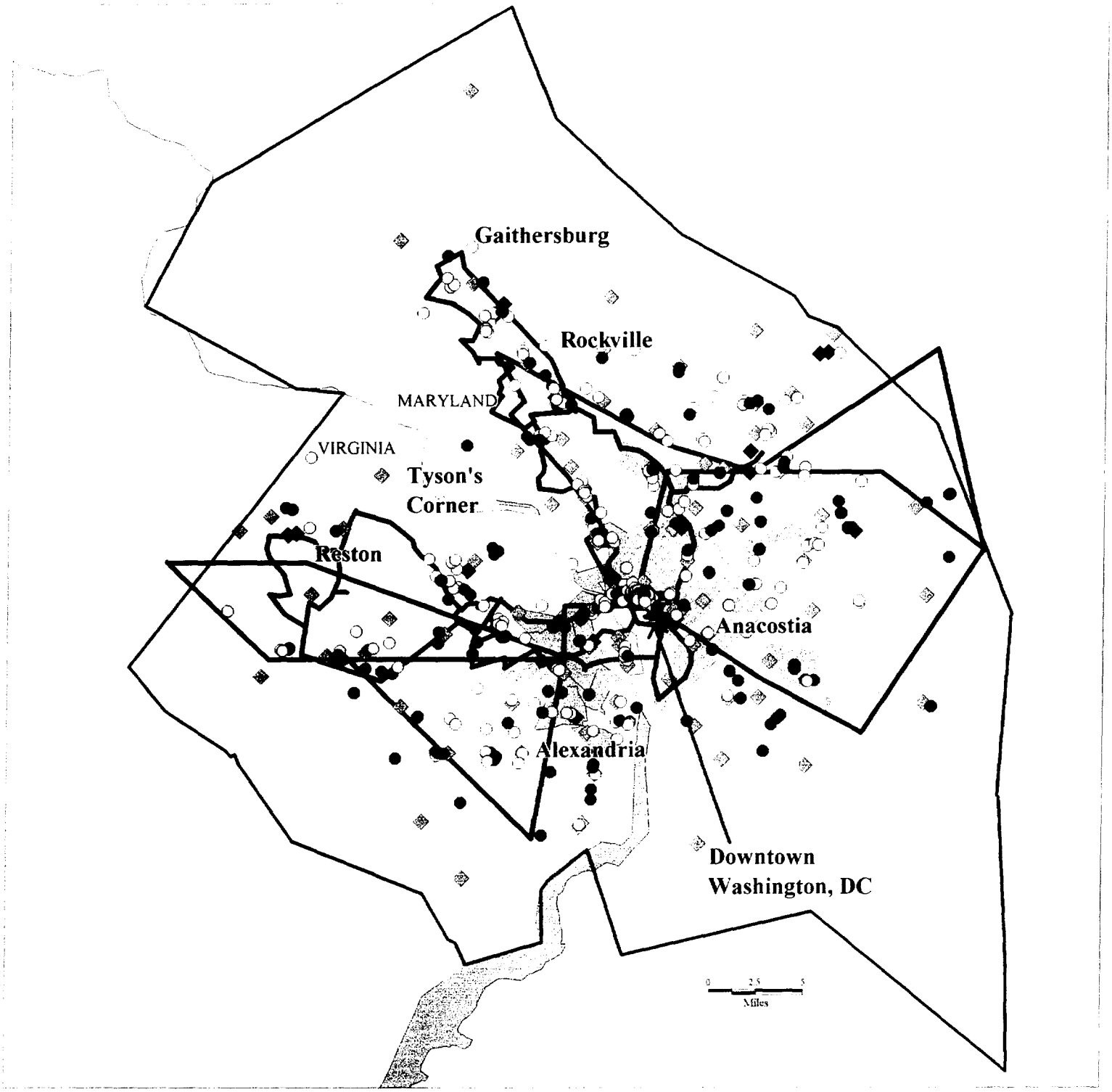
REGIONAL OFFICE OF FORTUNE 500 COMPANY HEADQUARTERED IN SBC/AMERITECH'S REGION

CLEC FIBER ROUTES (MFS/WORLDCOM, AT&T/TCG)

WASHINGTON, DC METRO AREA

(Includes the District of Columbia; Arlington, Fairfax, Montgomery, and Price George's Counties; Cities of Fairfax, Alexandria, and Falls Church)

SBC National Local Strategy Representative Entry
Washington, DC



TOP 25% OF AREA ZIP CODES IN TOTAL POPULATION DENSITY

BOTTOM 25% OF AREA ZIP CODES IN HOUSEHOLD INCOME

TOP 25% OF AREA ZIP CODES IN PERCENT NON-WHITE

ILEC SWITCH

CLEC SWITCH

REGIONAL OFFICE OF FORTUNE 500 COMPANY HEADQUARTERED IN SBC/AMERITECH'S REGION

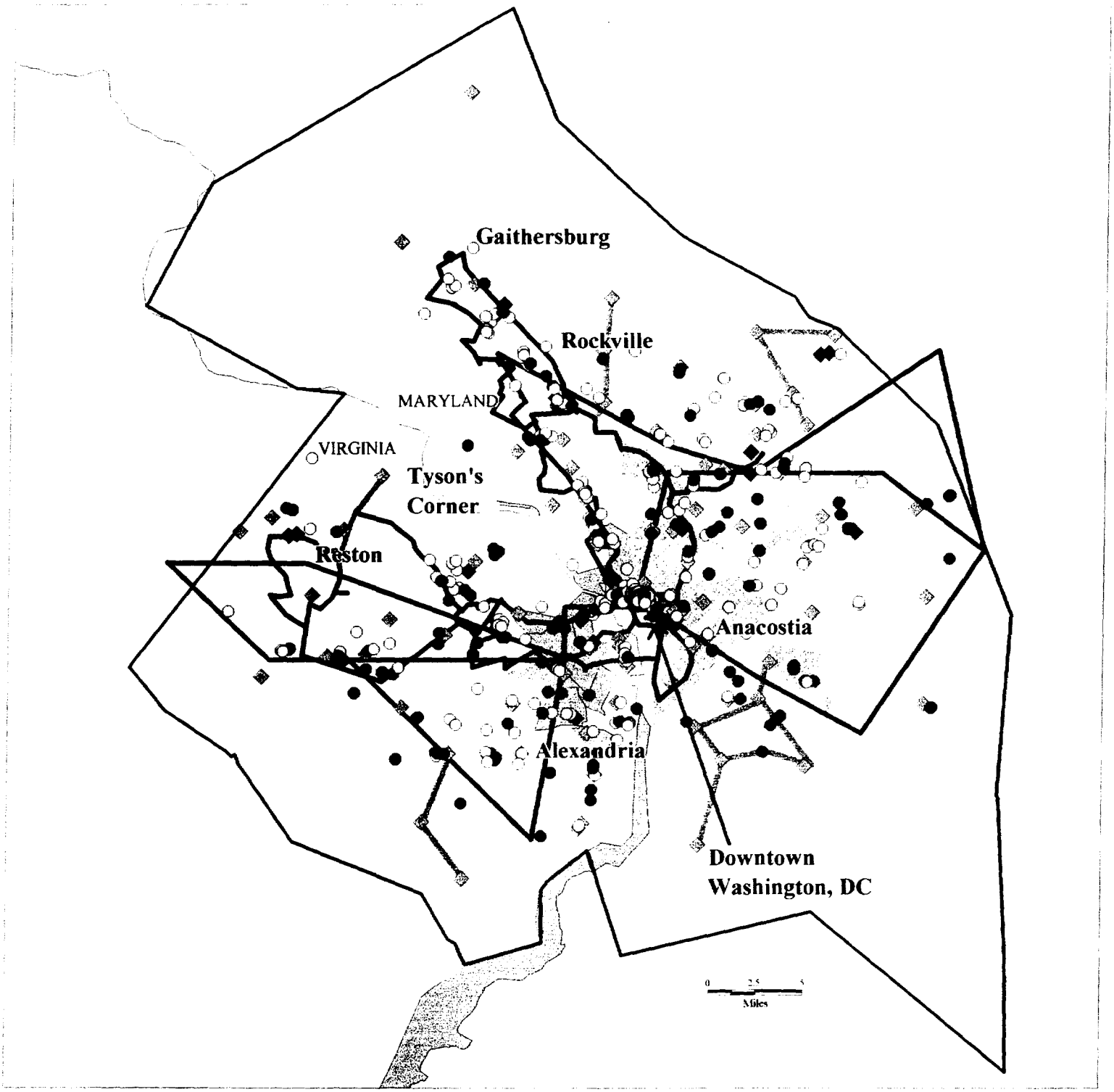
REGIONAL OFFICE OF FORTUNE 500 COMPANY HEADQUARTERED OUTSIDE SBC/AMERITECH'S REGION

CLEC FIBER ROUTES (MFS/WORLDCOM, AT&T/TCG)

WASHINGTON, DC METRO AREA

(Includes the District of Columbia; Arlington, Fairfax, Montgomery, and Price George's Counties; Cities of Fairfax, Alexandria, and Falls Church)

SBC National Local Strategy Representative Entry
Washington, DC



TOP 25% OF AREA ZIP CODES IN TOTAL POPULATION DENSITY

BOTTOM 25% OF AREA ZIP CODES IN HOUSEHOLD INCOME

TOP 25% OF AREA ZIP CODES IN PERCENT NON-WHITE

ILEC SWITCH

CLEC SWITCH

REGIONAL OFFICE OF FORTUNE 500 COMPANY HEADQUARTERED IN SBC/AMERITECH'S REGION

REGIONAL OFFICE OF FORTUNE 500 COMPANY HEADQUARTERED OUTSIDE SBC/AMERITECH'S REGION

CLEC FIBER ROUTES (MFS/WORLDCOM, AT&T/TCG)

SBC POSSIBLE INTEROFFICE TRANSPORT

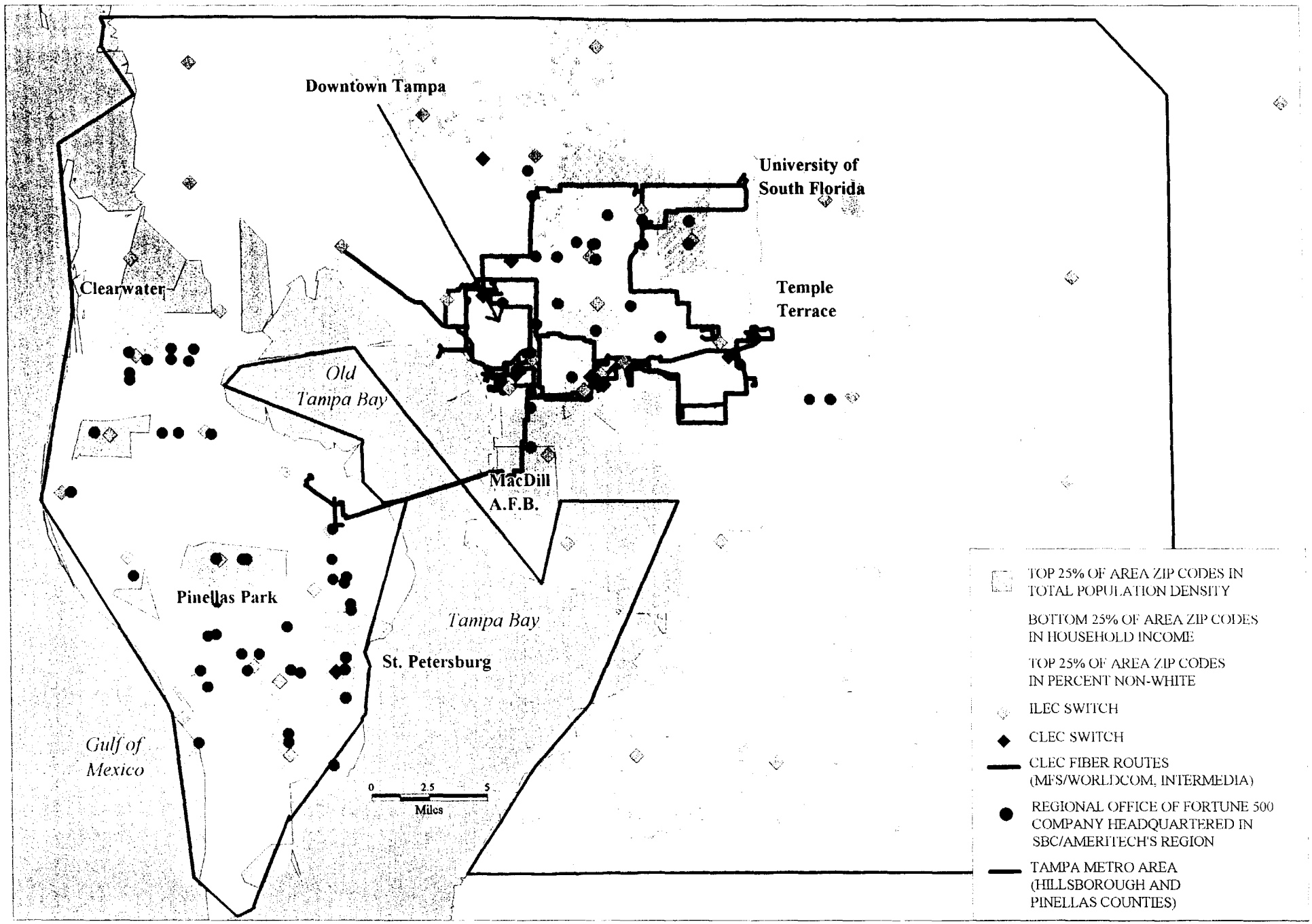
WASHINGTON, DC METRO AREA

(Includes the District of Columbia; Arlington, Fairfax, Montgomery, and Price George's Counties; Cities of Fairfax, Alexandria, and Falls Church)

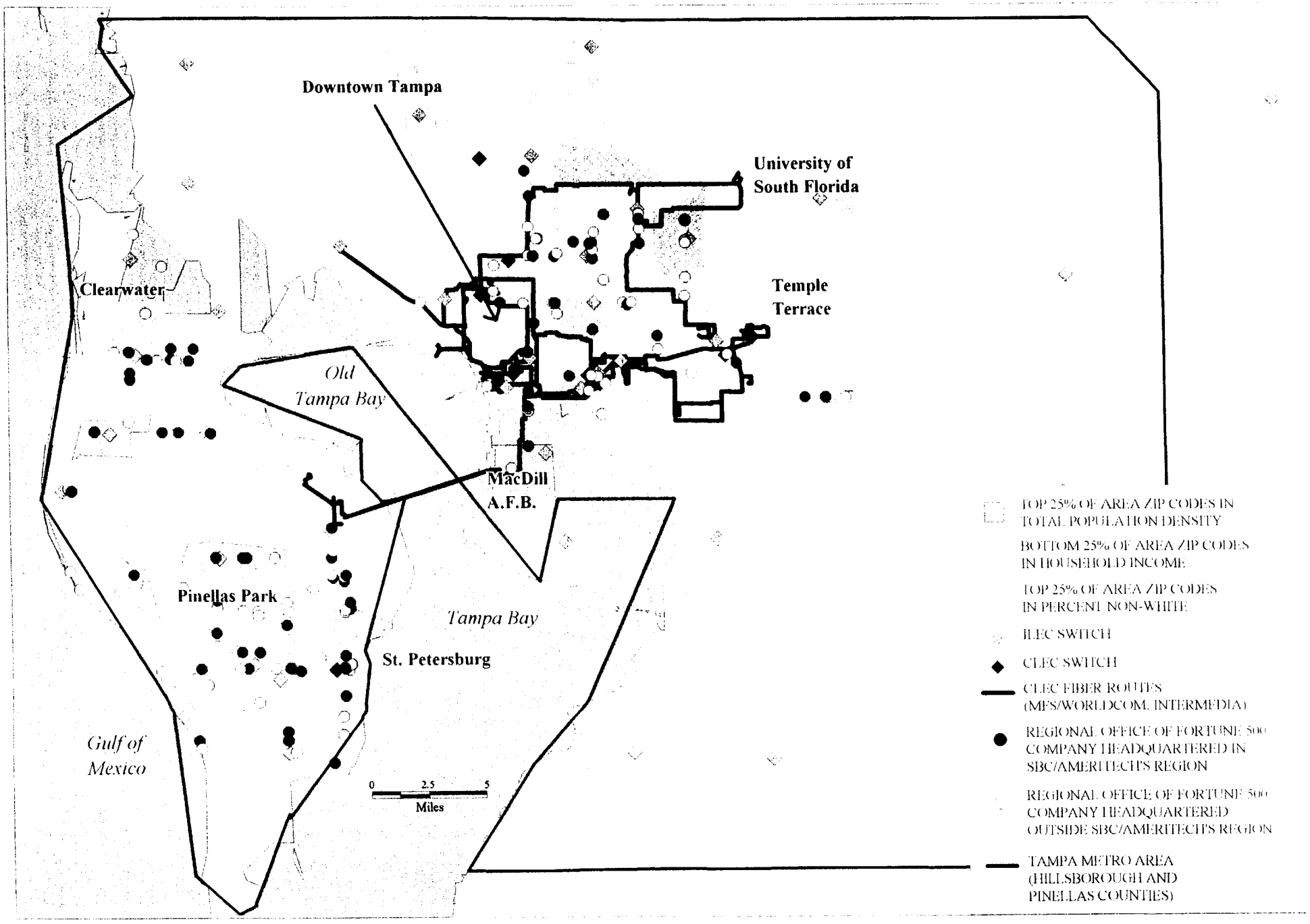
Attachment 13
To Reply Affidavit
Of James S. Kahan

Maps Showing Representative Local Exchange Entry into Tampa, Florida

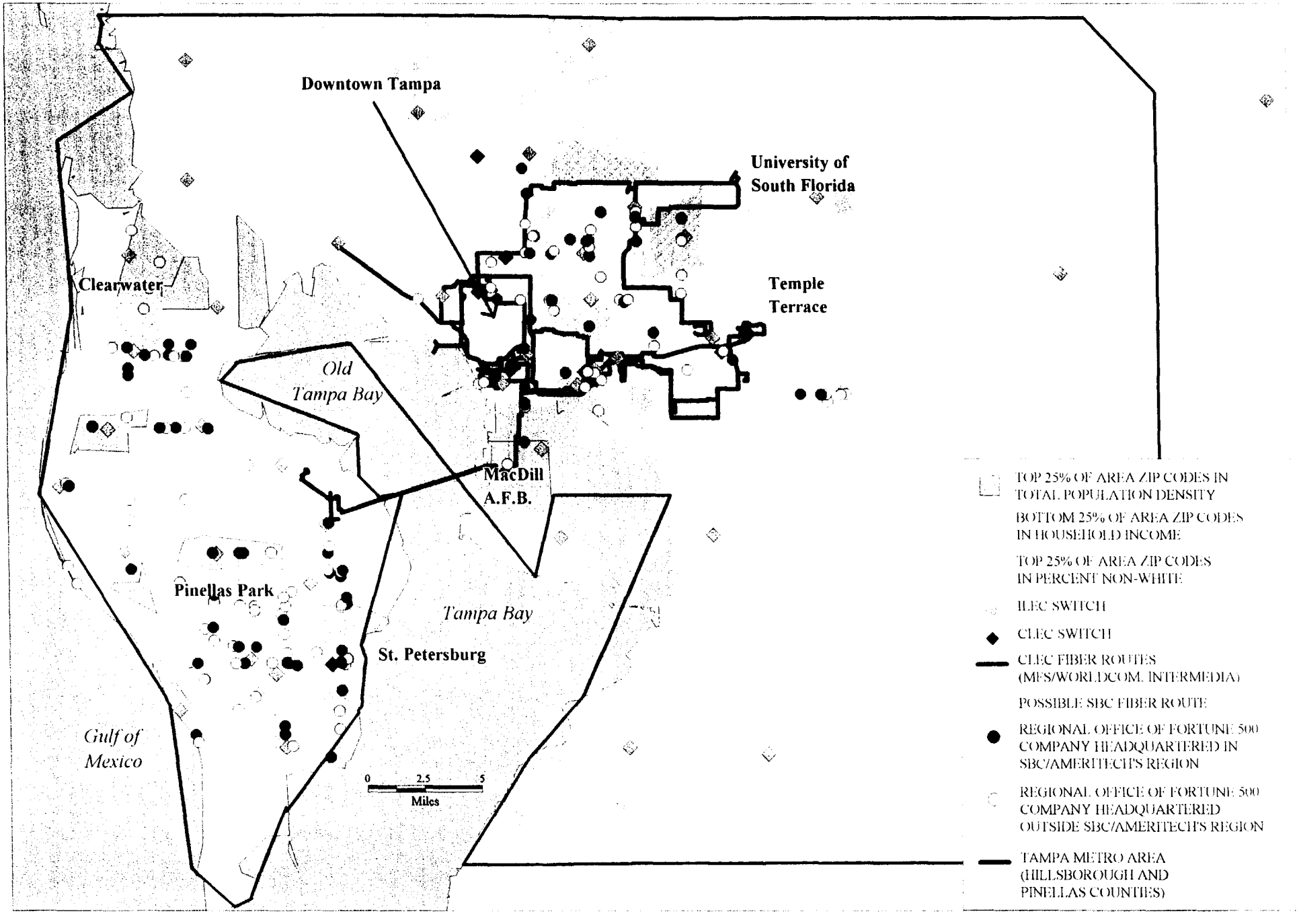
SBC National Local Strategy Representative Entry
Tampa, FL



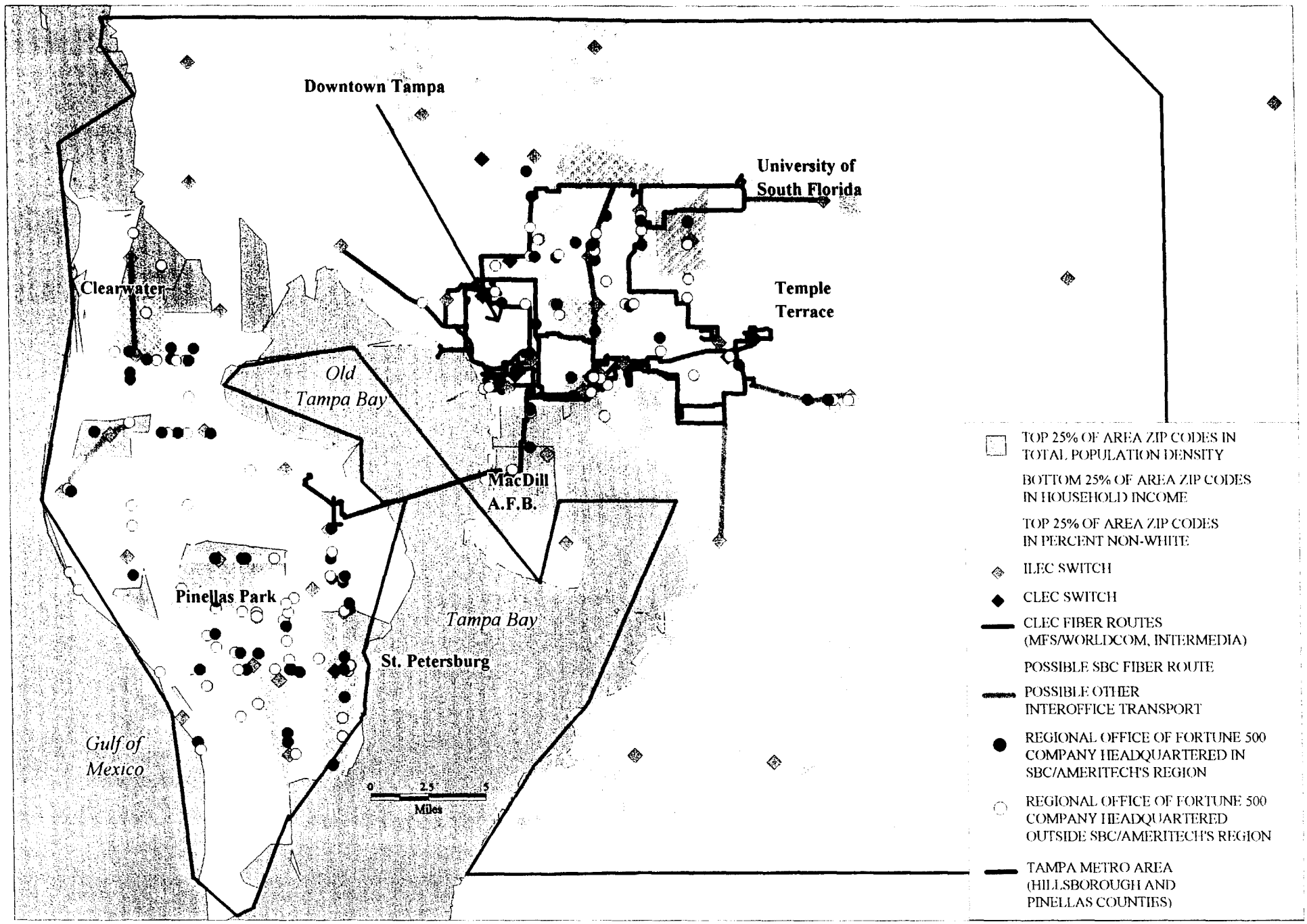
SBC National Local Strategy Representative Entry
Tampa, FL



SBC National Local Strategy Representative Entry
Tampa, FL



SBC National Local Strategy Representative Entry
Tampa, FL



Attachment 14
To Reply Affidavit
Of James S. Kahan

SBC's October 1998 Market Opening Report

SBC'S SUCCESS IN OPENING ITS LOCAL MARKETS AND COMPLYING WITH THE 1996 TELECOMMUNICATIONS ACT

TABLE OF CONTENTS

SBC'S SUCCESS IN OPENING ITS LOCAL MARKETS AND COMPLYING WITH THE 1996 TELECOMMUNICATIONS ACT

October 1998 Report -- Overview

SBC has dedicated significant resources and investment to open its markets to local competition and to comply with all requirements contained in the 1996 Telecommunications Act. SBC is committed from the highest levels of the company to open its local networks to enable others to enter the local exchange telecommunications markets in which SBC operates. As described in detail below and demonstrated in the attached checklist provisioning status report, SBC's local exchange companies (Southwestern Bell Telephone, Pacific Bell and Nevada Bell) have made available products, services and systems required by Section 251 and the competitive checklist of the 1996 Act, and competitive local exchange carriers ("CLECs") or local wholesale customers have ordered and are actually using each of the 14 competitive checklist services and products to provide local service in all seven SBC states.

There is irrefutable evidence that new entrants are obtaining the network elements that they need from SBC to provide local service, that they are providing such exchange services to end users and that their ability to enter the market is unambiguous. SBC has lost more access lines to its local wholesale customers than any other LEC in the country and in May, 1998 became the first RBOC to lose more than one million lines to CLECs. Taken together, these data demonstrate that barriers to entry into the local market in SBC's states have been eliminated, that competitive entry is occurring and that all 14 checklist items are legally and practically available to CLECs that want them. CLECs have obtained a **minimum of 1.2 million to 1.86 million resold and facilities-based lines in SBC's states.** As described below, the 1.2 million lost lines figure is a minimum and clearly understated number and the 1.86 million figure is a realistic estimate based on very conservative assumptions. Of the approximately **1.86 million** lines obtained by CLECs, approximately **686,000** were resale lines and an estimated **1.2 million** lines were captured by facilities-based carriers. These lost lines, moreover, represent a disproportionate revenue loss since the major long distance carriers and CLECs have publicly acknowledged that they have targeted the more profitable "high value" heavy users. As a result of SBC's compliance efforts, CLECs now can use resale, interconnection or unbundled network elements to compete for and take SBC customers.

In the face of undeniable market facts, it is clear that SBC has opened its markets to local competition and made available the statutorily required 14 point checklist items. The numbers are clear and irrefutable. For example in the past 2½ years, not only has SBC lost almost two million lines to CLECs, but through the end of September, 1998:

- SBC has also signed 390 interconnection agreements with local wholesale customers and 286 of these agreements have been approved by state PUCs
- 264 CLECs are operational and have passed local orders to SBC
- More than 124 CLECs are using SBC's Directory Assistance and Call Completion Services
- More than 3.1 million CLEC service orders have been processed without a backlog
- 557,400 CLEC customers are listed in SBC's White Pages
- More than 438,400 trunks have been provisioned to CLECs (with a call carrying capacity of 4.3 million lines and it is estimated that each of these trunks supports at least 2.75 CLEC lines)
- 124,000 lines have been converted to CLECs via interim number portability and LNP
- 59,600 unbundled loops have been provisioned
- 846 operational physical collocation cages have been provided to CLECs
- 26.6 million telephone numbers have been provided to CLECs for facilities-based use

- More than 17.2 billion minutes of local and Internet traffic have been exchanged between SBC and CLEC networks

Moreover, SBC has developed and implemented more than 65 performance measurements in each of its seven states covering all aspects of its relationships with CLECs. These measurements mirror precisely the model performance measurements advocated by the U.S. Department of Justice. The results generated from these measurements demonstrate that SBC is providing CLECs with checklist items in substantially the same time and manner that it providing such services to itself. Thus, the IXCs' and CLECs' argument that SBC has not lost the required number of local customers is an intentional mischaracterization of the Act, as conceded by the DOJ and the FCC. Both of these agencies acknowledge that there is no market share loss or metric test required by the Act. The only statutorily required test is embodied in the competitive checklist and irrefutable market facts confirm that SBC has made available the checklist items.

The fact that CLECs have obtained almost two million lines from SBC is compelling evidence that SBC has opened its markets to competition. In light of the market facts, listed above, it is clear that many of the isolated, anecdotal, outdated and unrepresentative complaints raised by the major long distance carriers are self-serving and have less to do with whether SBC has actually made available specific checklist items in an appropriate manner and more to do with protecting their long distance market shares and profits from the increased competition that would result from SBC entering that market. Moreover, isolated and anecdotal complaints raised by other CLECs must also be put in context since it is in their self-interest to delay SBC's entry into the long distance market for as long as possible so that they can continue to use the 271 process as leverage to obtain additional advantages from regulators and to target and offer one-stop shopping to high profit business customers while SBC is denied the ability to offer comparable full-service bundles of services to business and residential customers. Notwithstanding the extraordinary efforts it has made to date to open its markets, SBC is continuing to make improvements in its procedures and systems, it is actively participating in collaborative processes in Texas and California, and it is working with regulators and wholesale customers to resolve identified issues.

SBC's Capital and Expense Investments To Open Its Markets

- Since the passage of the 1996 Act on February 6, 1996, SBC has devoted significant financial, technical and personnel resources to implement the market- and network-opening requirements of Sections 251 and 252 of the Act. SBC management and employees have made extraordinary efforts to open SBC's networks to competitors. SBC has incurred more than $1.2 billion in expense and capital expenditures and devoted more than 3,300 employees to implement the Act and open its local markets to competition – including but not limited to operational support systems, number portability, trunking, local service centers, equipment, computer hardware, software and manpower. Of these expenditures, Pacific Bell and Nevada Bell have spent more than $702 million and SWBT has expended more than $493 million. By the end of 1998, SBC estimates that it will have spent a total of $1.3 billion making certain it meets the requirements of the Act.

Interconnection Agreements

- **Signed Agreements:**

  SBC and CLECs have signed 390 interconnection and resale agreements within SBC's seven-state service area. In addition, 535 CLECs have received PUC approved certificates to provide local service in SBC states. The good faith associated with SBC's negotiation of interconnection agreements with CLECs is illustrated by the fact that the parties voluntarily consummated 390 agreements and only 26 arbitrations were required. In excess of 90 percent of the agreements

approved by PUCs have never been appealed. they are in force. and CLECs have access to all of their terms and conditions.

- **PUC Approved Agreements:**
  The various state commissions have approved 286 SBC-CLEC interconnection and resale agreements. These approved agreements give the CLECs everything they say they need to provide local services and compete against SBC. There are a large number of PUC approved agreements in each of SBC's states: Texas: 126: California: 31; Kansas: 35: Arkansas: 29; Oklahoma: 22: Missouri: 30 and Nevada: 13 approved agreements.

- **Current Negotiations:**
  SBC currently is in the process of negotiating more than 537 additional interconnection, resale and combination interconnection agreements.

CLECs Competing Against SBC

- As of the end of September 1998, **264** CLECs were operational in SBC's territory and passing resale, interconnection or UNE orders to SBC. 122 CLECs were passing orders in Texas alone.

SBC Access Lines Lost to CLECs Based on E-911 Listings and Resale

- Through the end of September 1998, **1.2 million** access lines have been captured by CLECs through resale or through the establishment of new facilities-based service (based on E-911by CLECs in SBC's seven-state service area). Approximately 714,000 SBC lines have been resold by CLECs and approximately 480,500 additional customers are being served on a facilities-basis (as indicated by CLEC E-911 listings) by CLECs in SBC's territory. As described below this is a conservative and minimum number of lines served by CLECs.

SUMMARY TABLE OF LINES LOST—CONSERVATIVE ESTIMATE

A conservative and understated estimate of the approximate number of lines lost to CLECs in SBC's 7 states on a resale and facilities-basis (using E-911 listings as the indicator) is:

		Resale Total	Resale Residential	Resale Business	Resale Priv. Coin	Facilities Based Lines	Total Lines Lost
a)	California:	251,600	121,900	120,230	9,470	345,070	596,670
b)	Texas:	317,128	197,066	106,114	13,948	80,173	397,301
c)	Kansas:	61,847	26,736	35,101	10	2,416	64,263
d)	Oklahoma:	34,555	25,322	8,341	792	20,038	54,593
e)	Missouri:	29,741	16,027	13,663	51	5,633	35,374
f)	Arkansas	16,892	14,464	2,418	10	12,422	29,314
g)	Nevada:	2,115	327	1,788	0	14,792	16,907
RESOLD LINES:		713,778	401,842	287,655	24,281		
FACIL.-BASED LINES LOST:						**480,544**	
SBC TOTAL LINES LOST:							**1,194,322**

REALISTIC ESTIMATE OF TOTAL COMPETITIVE LINES SERVED BY CLECS

It is also possible to estimate how many lines are being served by facilities-based carriers by calculating the "estimated bypass" associated with the interconnection trunks that have been provided to CLECs. Facilities-based CLECs do not order trunks unless they have local lines and traffic to support and utilize such trunks. Based on past engineering experience, most LECs would estimate that every trunk could support approximately ten facilities-based lines. Since CLEC networks may not be engineered for maximum efficiency and since CLECs are disproportionately serving heavy use Internet lines, we have made the very conservative assumption that CLEC trunks are serving only 2.75 facilities-based lines per end-office interconnection trunk. Using, this conservative methodology demonstrates that **CLECs are serving approximately 1.86 million lines in SBC's states (i.e., 713,778 resold lines and an estimated 1,146,099 facilities-based lines).** The following chart illustrates the number of resold and bypass facilities-based lines that are being served by CLECs in SBC's seven states:

	Resold Lines	Unbundled Loops	Total Lines Provided By SBC	Interconnection Trunks	Estimated Bypass Lines[1]	Total Competitive Lines served by CLECs
California	251,600	47,275	298,875	273,813	705,710	957,310
Texas	317,128	2,651	319,779	121,691	331,999	649,127
Missouri	29,741	1,770	31,511	17,918	47,504	77,245
Kansas	61,847	402	62,249	4,153	11,018	72,865
Oklahoma	34,555	1,701	36,256	11,514	29,962	64,517
Arkansas	16,892	1,853	18,745	6,434	15,840	32,732
Nevada	2,115	3,986	6,101	2,928	4,066	6,181
TOTAL	**713,778**	59,638	773,416	438,451	**1,146,099**	**1,859,877**

SBC has made Resale available

- Given that CLECs now resell more than **713,800** lines in SBC's territory, there can be no dispute that resale of local service is available and significant in SBC's territory. SBC has demonstrated that it has made resale available and that its OSS can process CLEC resale orders in an accurate and timely manner without any backlogs. For example, in the last four months of 1997 (before AT&T and MCI unilaterally decided to abandon residential resale competition), SBC processed an average of 60,000 resale orders in each of these four months without a backlog. These numbers confirm that SBC has developed state-of-the art operational OSS that can handle large volumes of CLEC resale orders in an accurate, timely and non-discriminatory manner.

[1] Bypass estimate assumes 2.75 lines per interconnection trunk minus the number of Unbundled Loops. This number represents the estimated number of bypass lines served by facilities-based carriers in SBC's seven states.

- Resale activity has changed and slowed since April 1999 as AT&T and MCI continued there efforts to redline the residential resale market. First, beginning in April, there was a noticeable shift by CLECs from residential to business customers. Prior to April, CLECs had used resale to serve more residential than business customers. After April, CLECs shifted their efforts to use resale to serve business customers, almost to the exclusion of residential customers. For example, prior to April, 66 percent of the 615,000 resale lines in SBC's states served residential customers and 34 percent served business customers. Between April and September, the trend reversed and CLECs used resale to serve business customers almost exclusively (e.g., during that period, CLECs obtained 100,000 business resale lines compared to only 10,000 net residential lines). Second, between March and September, CLECs have almost completely abandoned the residential resale market in California. Prior to March, CLECs served more than 145,000 resale lines in California, but from March to September, cumulative residential resale lines in California declined by more than 25,500 lines as a result of publicly acknowledged decisions by AT&T and MCI to stop signing up new residential resale customers in California and by encouraging their existing resale customers to switch to other carriers. Nevertheless, even if the major IXCs chose for their own strategic, internal business and regulatory reasons not to take advantage of the residential resale option made available to them by SBC because they do not like the resale pricing discounts required by the 1996 Act and approved by the PUCs, there can be no dispute that SBC has met its obligations under the Act to make resale available to its local wholesale customers. The figures listed above demonstrate that SBC has made available to CLECs all the systems and services they need to compete on a resale basis in each of SBC's states. In all of SBC's, states, competitors can sign-up any or all resale customers in those states for their local service as easily as they sign-up long distance customers.

FACILITIES-BASED COMPETITION STATUS:

Facilities-based competition in SBC's states is substantial and has increased dramatically in recent months. CLECs are serving a minimum of **480,500 to 1.2 million lines on a facilities-basis** in SBC's territory. The following market facts demonstrate that SBC has opened its local markets to competition and that in addition to making resale available to competitors, SBC is also providing CLECs with the facilities and network elements they need from SBC in order to compete on a facilities-basis in the local exchange market. Information is not available to SBC to identify with precision the full extent of facilities-based competition in each of its states. Available indicators underestimate the extent of facilities-based competition and are imperfect measures of competitive entry because each captures only that part of entry that requires action by SBC and does not capture the extent of facilities-based self-supply being undertaken by CLECs. Nevertheless, a review of available indicators (e.g. CLEC E-911 listings and lines served by Interconnection Trunks) demonstrate that there is significant and growing facilities-based competition in SBC's states and that a minimum of **480,500** lines are being served by facilities-based carriers and that a more realistic estimate is that an estimated **1.2 million** lines are being served on a facilities-basis by CLECs in SBC's states.

CLEC E-911 Numbers—Best Conservative Indicator of Facilities-Based Competition

- CLEC listings in the E-911 database is the best conservative available indicator of the minimum number of access lines being served on a facilities basis by facilities-based carriers. These numbers, however, underestimate the actual number of facilities-based lines being provided by CLECs because many businesses only use a single number or a few numbers to serve a large group of access lines. Nevertheless, the E-911 listings show that CLECs serve a minimum of **713,778** lines in SBC's 7 states on a facilities-basis. Specifically, CLECs have requested E-911 service for 713,778 lines from their own NXX Codes that were assigned to them to provide facilities-based service.

- In California alone, 14 facilities-based carriers serve approximately 345,000 lines on a facilities basis (based on E-911 listings). CLEC E-911 listings indicate that there is at least the following number of lines being served on a facilities-basis in the other SBC states: Texas: 80,000; Oklahoma: 20,000; Nevada: 14,800; Arkansas: 12,400; Missouri: 5,600; and Kansas: 2,400 facilities-based lines.

- See above for a description of the 1.86 million facilities-based lost lines estimate based on interconnection trunks being used by CLECs.

Numbers Ported—Another Indicator of Facilities-Based Competition

- More than **124,000** existing SBC lines have been ported via interim number portability (108,269 lines) and long-term number portability (15,768 lines) to facilities-based competitors in each of SBC's seven states. CLECs have chosen to port mostly business lines, but the same basic processes and procedures can be used to port residential lines. This is one indicator of facilities-based competition that has occurred in SBC's seven states, but it underestimates the actual amount of facilities-based competition that has occurred. Each of the numbers ported represents conversion of an existing line from SBC to a facilities-based CLEC provider. It should be noted, however, that lines do not have to be ported when CLECs serve new lines/customers on a facilities-traffic.

Minutes Exchanged – Another Indicator That SBC's Networks Are Open

- The fact that more than **17.2 billion** minutes of local and internet traffic has been exchanged between SBC and CLEC networks is compelling evidence that SBC has opened its networks and has met the competitive checklist. Reciprocal compensation minutes of use is an indicator that demonstrates that actual local traffic is being exchanged between CLECs and SBC. A substantial amount of local traffic has been exchanged between SBC and CLECs, with most of that traffic (and the corresponding reciprocal compensation) going from SBC to the CLECs. For example, approximately **5.3 billion** minutes of local traffic (excluding Internet traffic) has been exchanged between SWBT/Pacific Bell/Nevada Bell and CLECs over interconnection trunks. More than **80%** of this local traffic has been exchanged from SBC to CLEC networks. It should be noted, that these minutes do not capture all local minutes being generated by CLECs because they do not include CLEC-to-CLEC traffic or on-net (i.e., intra-CLEC) traffic.

- In addition, the fact that an additional **11.9 billion** minutes of Internet traffic has been exchanged between SBC and CLEC networks also demonstrates that SBC's networks have been opened to competition. The **17.2 billion** minutes of local and Internet minutes-of-use exchanged between SBC and CLEC Networks confirm that SBC's networks are open to and connect with CLEC networks.

UNEs, Interconnection and Other Facilities-Based Products Provided By SBC to CLECs

- **Interconnection Trunks:**

  SBC's provisioning of local interconnection trunks is an indicator that the interconnection checklist requirement has been met and that actual local exchange traffic is being exchanged between CLECs and SBC. SBC has provisioned approximately **438,400** one-and two-way interconnection trunks to CLECs in SBC's seven-state service area. This represents the call carrying capacity on the local service provider networks for 4.3 million lines. Moreover, as described above, facilities-based carriers do not order trunks from SBC unless they have local lines and traffic to utilize such trunks. It can be conservatively estimated that each trunk being used by a CLEC is supporting at least 2.75 facilities-based lines being provided by that CLEC. These trunks allow CLECs to connect their networks and customers to SBC's network. The

following number of trunks were provided by SBC to CLECs: California: 273,800 trunks; Texas: 121,600; Oklahoma: 11,500; Missouri: 17,900; Arkansas: 6,400; Kansas: 4,100; and Nevada: 2,900 trunks.

- **Unbundled Loops:**
  Unbundled loops are the direct connection between the local network and customer's premises. CLECs can provision loops themselves, or they can lease unbundled loops from SBC or other suppliers. Because CLECs can self-provision loops, the number of unbundled loops provided by SBC understates the extent of existing facilities-based competition. Nevertheless, approximately **59,600** unbundled loops have been provisioned by SBC to CLECs in SBC's seven states.

- **CLEC Collocation Arrangements:**
  Collocation is an important measure of competitive facilities-based presence because once a competitor is collocated in an SBC central office it has access to every loop connected to that central office. **846** physical collocation arrangements are operational in SBC's seven-state service area -- 262 of these are in SWBT's region, with 581 in California.

- 386 physical collocation arrangements (96 in SWBT and 289 in California/Nevada) are currently being worked on and pending completion.

- 121 virtual collocation arrangements are operational in SWBT's five-state territory.

- **E-911 Trunks:**
  CLECs have requested and SBC has provisioned **908** operational E-911 trunks to facilities-based CLECs in SBC's seven-state service area. Of this number, 632 are located in California and 270 are in SWBT states.

- **DA/OS Trunks:**
  More than **1,270** Directory/Operator Assistance trunks have been provisioned by SWBT to CLECs in the five SWBT states. More than 120 CLECs are using SWBT's Directory Assistance and "O" Call Completion services.

Telephone Numbers Requested By and Assigned to CLECs

- 2,661 NXX codes (each code representing 10,000 numbers) have been assigned to facilities-based CLECs in SBC's seven-state service area, with an additional 278 assignments pending. In other words, CLECs have requested and SBC has assigned **26.6 million** telephone numbers to CLECs in its seven states; more than 14.9 million numbers have been requested by CLECs in California and an additional 11.6 million numbers have been requested in SWBT's five states.

Access to SBC White Page Directories

- CLEC information can be included in all SBC White Page directories in SBC's seven state service areas. SBC has provided more than **557,000** white page listings for its local wholesale customers. Of these listings, 375,000 have been in SWBT states and 180,800 in California.

Access to SBC Poles and Conduits

- SBC has provided competitors with access to more than **374,000** of its poles and approximately **8.4 million feet** of conduit space for their use to compete against SBC in its seven states.

CLEC Orders Handled by SBC's OSS and Local Service Centers

- Since the 1996 Act passed, SBC's OSS and Local Service Center personnel have handled more than **3.1 million** service orders from CLECs to order facilities, network elements and resold or

second lines for their customers, change or add vertical services etc. More than 2.1 million orders from CLECs have been processed in the SWBT five-state region and approximately 925,000 orders have been processed in California/Nevada. The fact that SWBT processed more than 1.2 million orders in 1997, and an additional 1.4 million orders in the first nine months of 1998, without a backlog, is strong evidence that SBC has developed state-of-the-art OSS and that these systems are being used by CLECs to compete in the local market against SWBT. Orders are also being processed in California in a similar timely and accurate manner without any backlogs.

- SBC also demonstrated in Texas that its OSS (which is the same system used in all five SWBT states) could handle large increases in volumes from CLECs. Over **1.6 million** CLEC service orders in Texas have been processed, with over 1 million orders processed in January through September of 1998. SBC's OSS and Local Service Centers have handled the increased volume of service orders without experiencing a backlog.

Performance Measurements

- SBC has also developed and implemented more than 65 performance measurements that cover all aspects of its relationships with CLECs in all seven SBC states. These measurements mirror and fully comply with the model set of measurements advocated by the U.S. Department of Justice. SBC's performance measurements cover each of the five recognized OSS functions (i.e., preordering, ordering, provisioning, maintenance and repair, and billing).

- The results generated by these performance measurements compare SBC and CLEC performance for each of the measurements and these results confirm that SBC is providing each of the 14 competitive checklist items in substantially the same time and manner that is it providing such services to itself.

Conclusion

- The resale, interconnection, facilities-based and OSS-related numbers listed above provide compelling evidence that SBC has opened each of its seven states to resale and facilities-based competition and that SBC provides its local wholesale customers with the systems and services they need to compete and capture SBC's local customers.

- The record confirms that CLECs have captured **almost 2 million** resold and facilities-based lines in SBC's states, that CLECs have obtained millions of checklist products from SBC, that SBC has provided CLECs with practical and real access to all 14 competitive checklist items and that SBC has opened its local markets to competition.

- IXCs and CLECs who have made a strategic decision not to invest or compete in SBC's local markets on a broad-scale or facilities basis, particularly the residential market, are doing so for their own economic, regulatory and business reasons, not because they are unable to obtain competitive checklist products and services from SBC. CLECs who do want to compete on either a resale or facilities-basis in SBC's territory for business or residential customers can provide and are, in fact, already providing such local services in direct competition with SBC.

SBC's Section 251 / Checklist Provisioning Status

Data through: 9/98 (unless otherwise noted)
Shaded data through 8/98 (unless otherwise noted)

Date Produced: 10/21/98

Green, italicized, bolded data is corrected from previous edition.

#	CHECKLIST DESCRIPTION	PRODUCTS PROVIDED	AR	KS	MO	OK	TX	SWBT's 5 States	CA	NV	SBC TOTAL
1	Interconnection for the transmission	**Total Interconnection Trunks Provided to CLECs (see Item #7 for more trunk information) a/o 10/5/98.**	6,434	4,153	17,918	11,514	121,691	161,710	273,813	***2,928***	438,451
	and routing of telephone exchange service and exchange access at any technically feasible point within the carrier's network.	· One Way Trunks (SBC to CLEC)	4,502	2,109	6,991	8,849	58,379	80,830	12,134	0	92,964
		· One Way Trunks (CLEC to SBC)	954	640	2,435	1,609	21,626	27,264	1,288	0	28,552
		· Two Way Trunks	978	1,404	8,492	1,056	41,686	53,616	260,391	2,928	316,935
		Physical Collocation * a/o 10/15									
		· Operational Cages	10	18	39	35	160	262	581	3	846
		· Pending Cages	0	3	12	3	78	96	289	1	386
		Virtual Collocation * a/o 10/15									
		· Operational Arrangements	7	7	12	9	85	120	1	0	121
		· Pending Arrangements	0	0	0	0	104	104	1	0	105
		Number of Collocated Wire Centers	4	13	12	18	76	123	162	3	288
2	Nondiscriminatory access to network elements. (In addition, See items 3-6 below)	**Number of CLECs passing orders in 1998**	20	21	25	22	122	210	48	6	264
		Total orders processed (2/6/96 - 9/98) **	105,930	154,201	102,457	131,734	1,686,261	2,180,583	925,337	7,083	3,113,003
		· Manual	97,994	101,199	55,081	114,189	1,323,604	1,692,067	100% in 1996	7,083	
		· Electronic	7,936	53,002	47,376	17,545	362,657	488,516	288,626	0	777,142
		Total orders processed in 1997 **	19,035	41,476	6,396	22,832	641,098	730,837	516,162	3,511	1,250,510
		· Manual	19,035	28,972	6,309	20,408	495,077	569,801	~80%	3,511	
		· Electronic	0	12,504	87	2,424	146,021	161,036	~20%	0	
		Total orders processed in 1998 **	86,895	112,725	96,057	108,898	1,003,559	1,408,134	338,978	3,572	1,750,684
		· Manual	78,959	72,227	48,768	93,777	786,923	1,080,654	175,591	3,572	1,259,817
		· Electronic	7,936	40,498	47,289	15,121	216,636	327,480	163,387	0	490,867
		Total orders processed in September 1998 **	***13,750***	***25,614***	***23,529***	***23,365***	***246,626***	***332,884***	29,045	322	362,251
		· Manual	12,017	19,138	15,496	19,599	216,783	283,033	19,286	322	302,641
		· Electronic	1,733	6,476	8,033	3,766	29,843	49,851	9,759	0	59,610
3	Nondiscriminatory access to poles, ducts, conduits and rights of way.	Total Number of Poles Attached (Note 1)	263	56	384	186	2,577	3,466	370,060	508	374,034
		· Total Feet of Duct Occupied (Note 1)	244,369	13,214	61,530	99,180	725,364	1,143,657	7,236,650	16,225	8,396,532
4	Local loop transmission from the central office to the customer's premises, unbundled from local switching or other services.	**Unbundled Loops**	1,853	402	1,770	1,701	2,651	8,377	47,275	3,986	59,638
5	Local transport from the trunk side of a wireline local exchange carrier switch unbundled from switching or other services.	**Unbundled Transport**									
		· Dedicated Transport Available?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		· Shared Transport Available?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
6	Local switching unbundled from transport, local loop transmission or other services.	**Unbundled Switch Ports**	0	0	0	0	462	462	194	0	656
7	Nondiscriminatory access to 911 and E911, directory assistance, and operator call completion services.	· E911 Trunks (not included in Item 1 Total)	18	24	16	20	192	270	632	6	908
		· DA/OA Trunks (not included in Item 1 Total) ***	88	0	88	85	871	1,132	120	18	1,270
		· CLECs using Directory Assistance Service (Note 2)	11	15	19	11	110	124	Data Not Available	Data Not Available	
		CLECs using "0" Call Completion Service (Note 2)	11	14	18	10	109	123	Data Not Available	Data Not Available	
		· Are CLECs offered E-911 service directly to government bodies or interconnecting with SBC's existing service arrangements?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		Number of Facilities Based CLEC End User E-911 Listings SWBT a/o 9/27/98									
		· Residence	160	2	10	65	6,819	7,056	Res/Bus Split		7,056
		· Business	12,262	2,414	5,623	19,973	73,354	113,626	Not Available		113,626
		· Total	12,422	2,416	5,633	20,038	80,173	120,682	345,070	14,792	480,544
8	White pages directory listing for customers of other carrier's telephone exchange service.	**Number of CLEC End User White Pages Listings**									
		· Resale	15,072	52,442	24,482	30,786	244,808	367,590	157,057	742	525,389
		· Facilites Based	1,031	317	1,022	1,209	3,783	7,362	23,806	929	32,097
		· Total	16,103	52,759	25,504	31,995	248,591	374,952	180,863	1,671	557,486
9	Nondiscriminatory access to telephone numbers for assignment to the other carrier's telephone exchange service customers.	**Telephone Numbers Provided to CLECs (Note 3)**									
		· Numbers Assigned	140,000	210,000	1,510,000	570,000	9,180,000	11,610,000	***14,970,000***	30,000	26,610,000
		· Numbers Pending Assignment	0	0	30,000	0	100,000	130,000	2,650,000	0	2,780,000
10	Nondiscriminatory access to databases and associated signaling necessary for call routing and completion.	Access to 800, Line Information Database (LIDB), Calling Name Delivery Database (CNAM), and SS7 Signaling Network Available?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

SBC's Section 251 / Checklist Provisioning Status

Data through: 9/98 (unless otherwise noted)
Shaded data through 8/98 (unless otherwise noted)

Date Produced: 10/21/98

Green, italicized, bolded data is corrected from previous edition.

#	CHECKLIST DESCRIPTION	PRODUCTS PROVIDED	AR	KS	MO	OK	TX	SWBT's 5 States	CA	NV	SBC TOTAL
11	Interim number portability through RCF or DID trunks. Each line ported represents conversion of an existing line from SBC to a facilities-based provider.	**Numbers Ported to CLECs via INP**									
		· Residential Lines	104	0	3	1	38	146	5,883	0	6,029
		· Business Lines	4,345	1,320	2,370	16,623	28,018	52,676	41,328	8,236	102,240
		· Total	4,449	1,320	2,373	16,624	28,056	52,822	47,211	8,236	108,269
		Numbers Ported to CLECS via LNP									
		-Total In-Service Port Outs	0	15	256	1	11,514	11,786	3,982	0	15,768
12	Nondiscriminatory access to services and information required to allow implementation of dialing parity.	· Are additional access codes or digits needed to complete local calls to or from CLEC customers?	No	No	No	No	No	No	No	No	No
		· IntraLATA toll dialing parity available concurrent with SBC's provision of interexchange service?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
13	Reciprocal compensation arrangements. (Note 4) ****	**Local and EAS Minutes of Use Exchanged Over Interconnection Trunks Since 1/1/97 (in Millions)**									
		· From SBC to CLEC	36.3	5.7	52.6	176.7	350.3	621.6	3,512.6	35.8	4,170.0
		· From CLEC to SBC	14.6	0.0	0.5	14.0	337.5	366.6	743.8	0.0	1,110.4
		(CA - does not incl. Jan-98)									
		· Total	50.9	5.7	53.1	190.7	687.8	988.2	4,256.4	35.8	5,280.4
		Local and EAS Minutes of Use Exchanged Over Interconnection Trunks in July 1998 (in Millions)									
		· From SBC to CLEC									
		· From CLEC to SBC									
		· Total									
		Local and EAS Minutes of Use Exchanged Over Interconnection Trunks in August 1998 (in Millions)									
		· From SBC to CLEC									
		· From CLEC to SBC									
		· Total									
14	Offering for resale at wholesale prices any telecommunications services offered at retail to subscribers who are not themselves carriers.	**Resold Access Lines**									
		· Business Lines (Simple and Complex)	2,418	35,101	13,663	8,341	106,114	165,637	120,230	1,788	287,655
		· Private Coin Lines	10	10	51	792	13,948	14,811	9,470	0	24,281
		· Residential Lines	14,464	26,736	16,027	25,322	197,066	279,615	121,900	327	401,842
		· Total	16,892	61,847	29,741	34,455	317,128	460,063	251,600	2,115	713,778

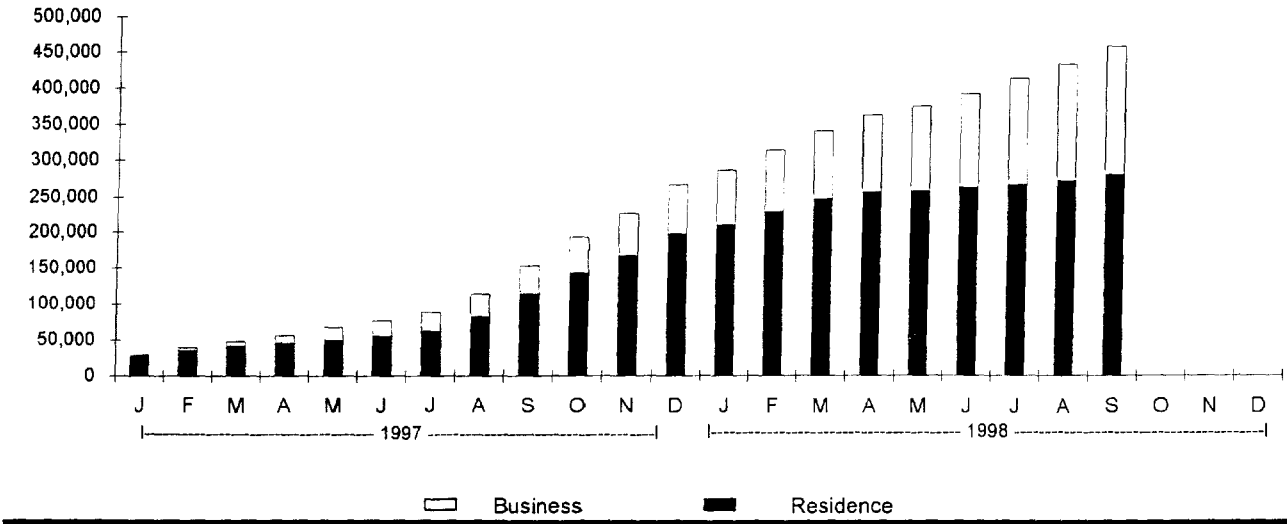
Note 1: CA and NV data updated bi-annually. CA Total Feet of Duct Occupied reflects both IXC and CLEC facilities.
Note 2: SWBT total counts each CLEC once, although it may appear in multiple states and as both a facilities based and resale provider.
Note 3: Each NXX Code equals 10,000 telephone numbers.
Note 4: Totals do not include disputed Internet minutes of use. However, the fact that over 11.88B minutes of Internet traffic have been exchanged between SBC and CLEC networks in 1997 and 1998 also demonstrates that SBC's networks have been opened to competition. SWBT 1997 and 1998 totals include only Local and Optional EAS traffic. PB 1997 totals also include intraLATA toll. MOU recording days decreased between July and August, reflecting some decreases in MOU. Also, the green, bolded, italicized data is updated MOU data not originally reflected in the July report.

* Count now reflects number of cages for all SBC States. Prior to 7-98 report, only the single instance of collocation by CLEC by wire center was counted for SWBT States.
** CA Order Volumes relect a true-up to include resale and previously unrecorded facilities-based activity (Facilities-based data taken from the Carter Report).
*** KS does have OA/DA trunks, but they appear in MO as they serve both MO and KS.
**** Represents only that traffic for which originating records have been exchanged. **MOU data is now reported one month in arrears.**

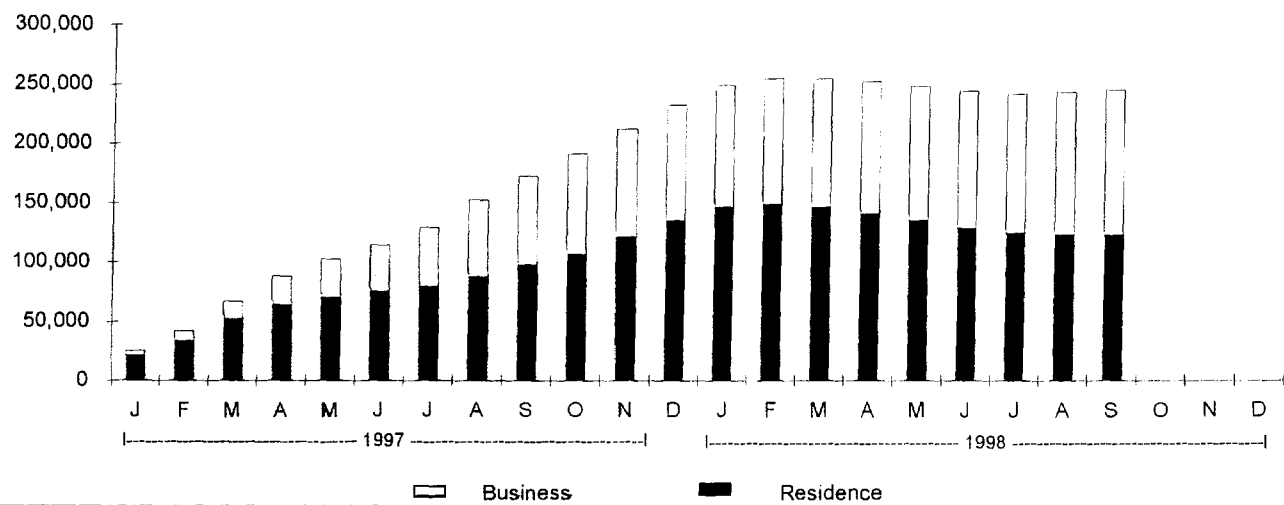
CLECs with Certifications		AR	KS	MO	OK	TX	SWBT's 5 States	CA	NV	SBC TOTAL
	· Number Approved	28	59	46	46	164	343	132	60	535
	· Number Pending	24	6	23	18	10	81	19	2	102
CLEC Interconnection Agreements a/o 10/2/98										
	· Number Signed (Resale, FB, & Combo)	38	44	47	45	156	330	44	16	390
	· Number Approved (Resale, FB, & Combo)	29	35	30	22	126	242	31	13	286
	· Number of Arbitrations Completed									
	· Number of Arbitrations In Progress									
	· Number Under Negotiation (Resale, FB, & Combo)	69	65	77	72	146	429	66	42	537

SBC Resold Lines - Cumulative Resale Lines Lost to CLECs

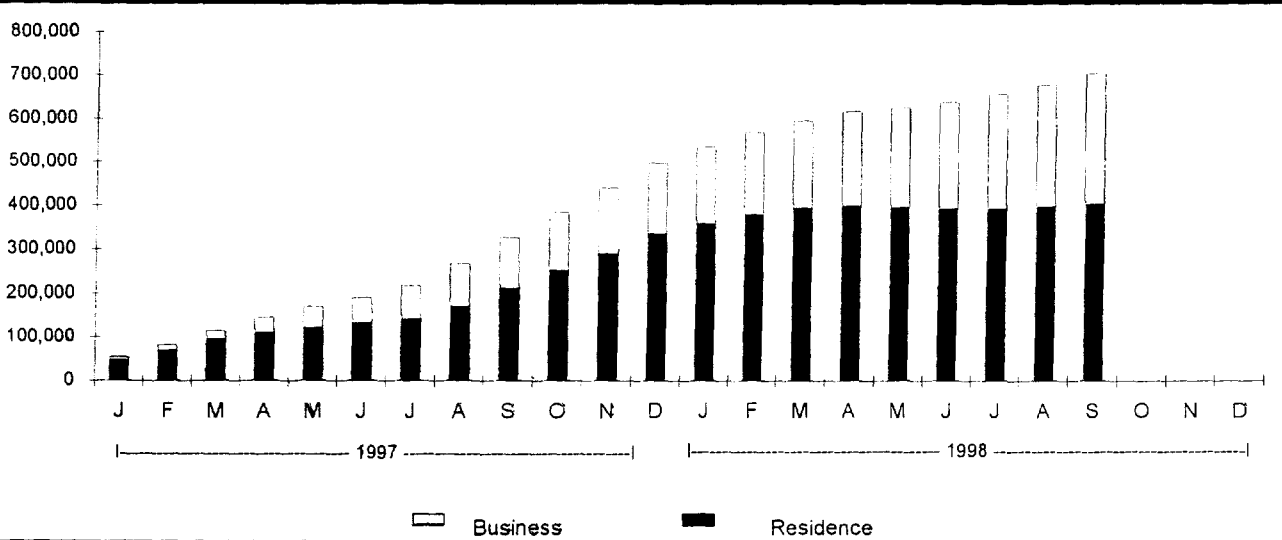
Southwestern Bell Telephone



Pacific Bell & Nevada Bell



SBC Consolidated



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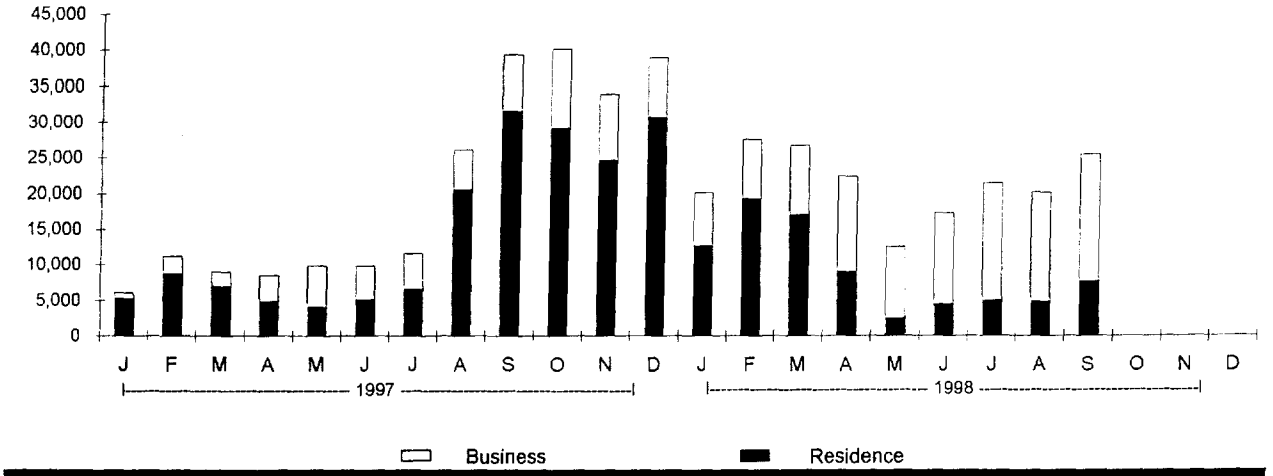
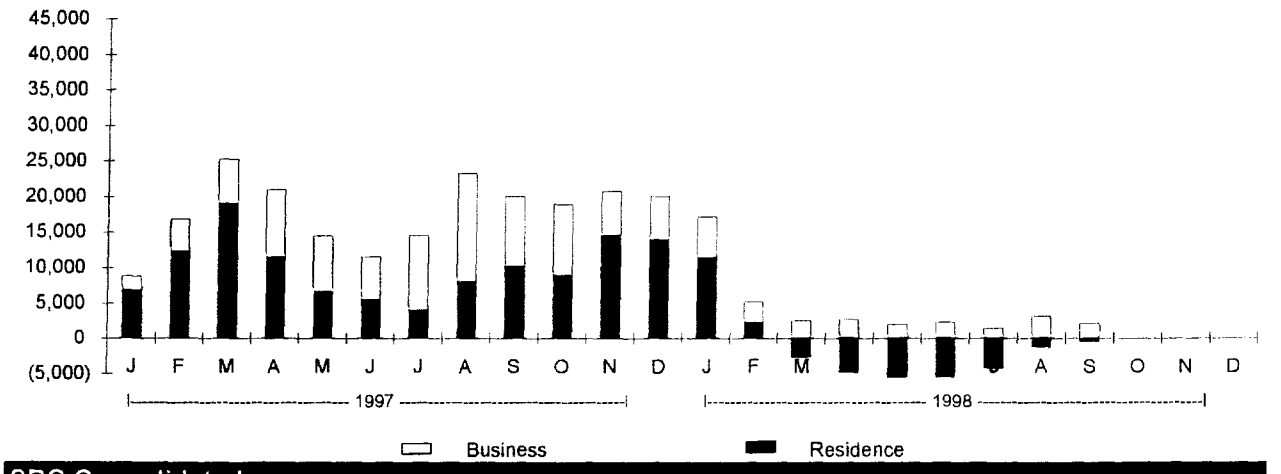
SBC Resold Lines - Monthly Resale Lines Lost to CLECs

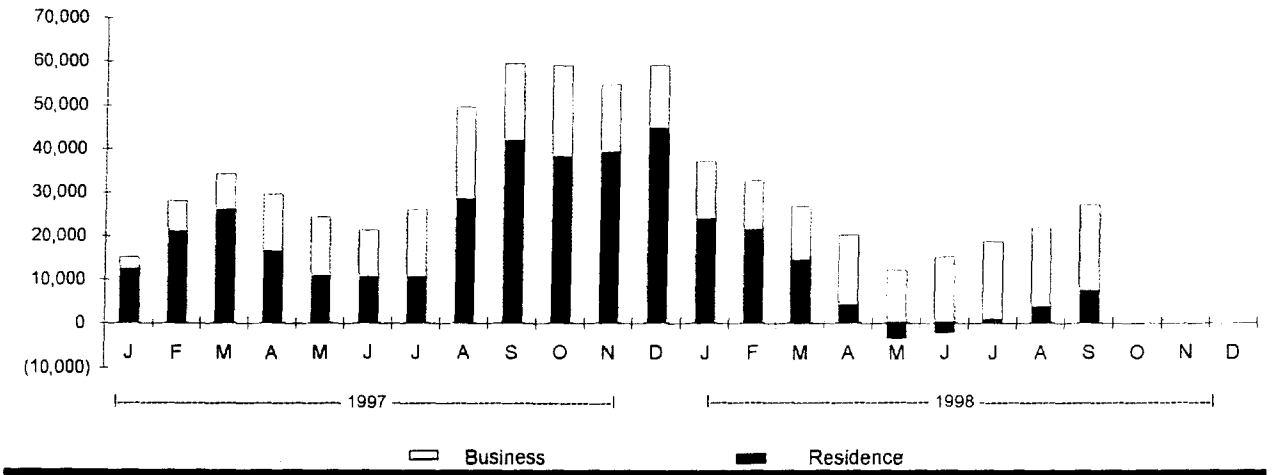
Southwestern Bell Telephone



Pacific Bell & Nevada Bell



SBC Consolidated



10-13-98, 11.43

SBC Resold Lines - Monthly Resale Lines Lost to CLECs

Southwestern Bell Telephone

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1998												
Business	7,474	8,410	9,780	13,485	10,120	12,852	16,548	15,253	17,860	#N/A	#N/A	#N/A
Residence	12,582	19,107	16,949	8,943	2,420	4,349	4,909	4,867	7,614	#N/A	#N/A	#N/A
Total	20,056	27,517	26,729	22,428	12,540	17,201	21,457	20,120	25,474	#N/A	#N/A	#N/A
1997												
Business	878	2,534	2,103	3,702	5,803	4,881	5,049	5,659	7,740	10,912	9,234	8,278
Residence	5,270	8,668	6,903	4,846	4,067	5,034	6,520	20,459	31,629	29,158	24,581	30,644
Total	6,148	11,202	9,006	8,548	9,870	9,915	11,569	26,118	39,369	40,070	33,815	38,922
1996												
Business	-	-	-	-	15	50	102	20	25	516	600	602
Residence	3	71	181	224	687	1,084	1,767	2,402	1,742	3,388	4,429	4,118
Total	3	71	181	224	702	1,134	1,869	2,422	1,767	3,904	5,029	4,720

Pacific Bell & Nevada Bell

1998												
Business	5,842	3,000	2,578	2,673	2,016	2,302	1,458	3,084	2,074	#N/A	#N/A	#N/A
Residence	11,256	2,144	(2,624)	(4,862)	(5,752)	(6,456)	(4,256)	(1,221)	(424)	#N/A	#N/A	#N/A
Total	17,098	5,144	(46)	(2,189)	(3,736)	(4,154)	(2,798)	1,863	1,650	#N/A	#N/A	#N/A
1997												
Business	2,075	4,600	6,245	9,658	7,988	6,133	10,662	15,358	9,921	10,039	6,237	6,181
Residence	6,703	12,197	18,992	11,396	6,493	5,385	3,878	7,958	10,137	8,863	14,544	13,878
Total	8,778	16,797	25,237	21,054	14,481	11,518	14,540	23,316	20,058	18,902	20,781	20,059
1996												
Business	-	-	-	83	(14)	44	75	88	101	200	569	1,289
Residence	-	-	-	2	-	25	28	44	734	1,161	5,228	6,790
Total	-	-	-	85	(14)	69	103	132	835	1,361	5,797	8,079

SBC Consolidated

1998												
Business	13,316	11,410	12,358	16,158	12,136	15,154	18,006	18,337	19,934	#N/A	#N/A	#N/A
Residence	23,838	21,251	14,325	4,081	(3,332)	(2,107)	653	3,646	7,190	#N/A	#N/A	#N/A
Total	37,154	32,661	26,683	20,239	8,804	13,047	18,659	21,983	27,124	#N/A	#N/A	#N/A
1997												
Business	2,953	7,134	8,348	13,360	13,791	11,014	15,711	21,017	17,661	20,951	15,471	14,459
Residence	11,973	20,865	25,895	16,242	10,560	10,419	10,398	28,417	41,766	38,021	39,125	44,522
Total	14,926	27,999	34,243	29,602	24,351	21,433	26,109	49,434	59,427	58,972	54,596	58,981
1996												
Business	-	-	-	83	1	94	177	108	126	716	1,169	1,891
Residence	3	71	181	226	687	1,109	1,795	2,446	2,476	4,549	9,657	10,908
Total	3	71	181	309	688	1,203	1,972	2,554	2,602	5,265	10,826	12,799

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SBC Resold Lines - Cumulative Resale Lines Lost to CLECs

Southwestern Bell Telephone

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1998												
Business	76,177	84,587	94,367	107,852	117,972	130,824	147,372	162,625	180,485	#N/A	#N/A	#N/A
Residence	210,457	229,564	246,513	255,456	257,876	262,225	267,134	272,001	279,615	#N/A	#N/A	#N/A
Total	286,634	314,151	340,880	363,308	375,848	393,049	414,506	434,626	460,100	#N/A	#N/A	#N/A
1997												
Business	2,808	5,342	7,445	11,147	16,950	21,831	26,880	32,539	40,279	51,191	60,425	68,703
Residence	25,366	34,034	40,937	45,783	49,850	54,884	61,404	81,863	113,492	142,650	167,231	197,875
Total	28,174	39,376	48,382	56,930	66,800	76,715	88,284	114,402	153,771	193,841	227,656	266,578
1996												
Business	-	-	-	-	15	65	167	187	212	728	1,328	1,930
Residence	3	74	255	479	1,166	2,250	4,017	6,419	8,161	11,549	15,978	20,096
Total	3	74	255	479	1,181	2,315	4,184	6,606	8,373	12,277	17,306	22,026

Pacific Bell & Nevada Bell

1998												
Business	103,374	106,374	108,952	111,625	113,641	115,943	117,401	120,485	122,559	#N/A	#N/A	#N/A
Residence	145,692	147,836	145,212	140,350	134,598	128,142	123,886	122,665	122,241	#N/A	#N/A	#N/A
Total	249,066	254,210	254,164	251,975	248,239	244,085	241,287	243,150	244,800	#N/A	#N/A	#N/A
1997												
Business	4,510	9,110	15,355	25,013	33,001	39,134	49,796	65,154	75,075	85,114	91,351	97,532
Residence	20,715	32,912	51,904	63,300	69,793	75,178	79,056	87,014	97,151	106,014	120,558	134,436
Total	25,225	42,022	67,259	88,313	102,794	114,312	128,852	152,168	172,226	191,128	211,909	231,968
1996												
Business	-	-	-	83	69	113	188	276	377	577	1,146	2,435
Residence	-	-	-	2	2	27	55	99	833	1,994	7,222	14,012
Total	-	-	-	85	71	140	243	375	1,210	2,571	8,368	16,447

SBC Consolidated

1998												
Business	179,551	190,961	203,319	219,477	231,613	246,767	264,773	283,110	303,044	#N/A	#N/A	#N/A
Residence	356,149	377,400	391,725	395,806	392,474	390,367	391,020	394,666	401,856	#N/A	#N/A	#N/A
Total	535,700	568,361	595,044	615,283	624,087	637,134	655,793	677,776	704,900	#N/A	#N/A	#N/A
1997												
Business	7,318	14,452	22,800	36,160	49,951	60,965	76,676	97,693	115,354	136,305	151,776	166,235
Residence	46,081	66,946	92,841	109,083	119,643	130,062	140,460	168,877	210,643	248,664	287,789	332,311
Total	53,399	81,398	115,641	145,243	169,594	191,027	217,136	266,570	325,997	384,969	439,565	498,546
1996												
Business	-	-	-	83	84	178	355	463	589	1,305	2,474	4,365
Residence	3	74	255	481	1,168	2,277	4,072	6,518	8,994	13,543	23,200	34,108
Total	3	74	255	564	1,252	2,455	4,427	6,981	9,583	14,848	25,674	38,473

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REPLY AFFIDAVIT OF MARTIN A. KAPLAN

STATE OF TEXAS)
) SS
COUNTY OF BEXAR)

MARTIN A. KAPLAN, being duly sworn, deposes and says:

1. My name is Martin A. Kaplan. I am Executive Vice President – Pacific Telesis Group ("Telesis") a business unit of SBC Communications, Inc. ("SBC"). I make this affidavit to respond to the contentions of the commenters regarding the synergies to be derived from SBC's merger with Ameritech Corporation ("Ameritech"). Specifically, my response addresses the contentions that SBC and Ameritech have not adequately supported claims as to the efficiencies that will be generated by the proposed transaction.

2. Generally, the commenters do not assert that SBC and Ameritech cannot generate efficiencies from the proposed merger. Rather, the issue they raise is whether the Applicants have provided sufficient support for their efficiency claims. Many of these allegations are directed, in fact, at an affidavit I submitted previously in this proceeding. For instance:

- AT&T complains that SBC has failed to "provide any support for their claimed efficiencies other than the bare assertions of their affiant

Martin Kaplan. Without any backup, Applicants cannot be said to have 'carried their burden.'"[1]

- Ankum contends that the "alleged benefits are not well documented and represent no more than the optimistic ruminations of SBC's and Ameritech's affiants."[2]

As I will explain, however, the method I used to predict synergies here, estimated to have a value of approximately $2.5 billion by 2003, is highly reliable. This method is based on the process by which we estimated cost savings for the SBC/Telesis Merger, and these estimations, and the estimation methodology, have been validated by the actual results of that merger. Thus, SBC has a proven track record of assessing efficiencies reliably and achieving actual post-merger results.

3. For 11 years prior to the Telesis merger, I was in charge of all operations for Pacific Bell. From announcement of the Telesis merger (April 1996) to approval (April 1997), I had joint responsibility for planning the integration process. Since July 1997, I have had the overall responsibility for coordinating the integration of Pacific Telesis with SBC, including the implementation of our merger synergies and the realization of cost savings and revenue growth opportunities. That effort has been highly successful, as SBC/Telesis is well on its way to not only meeting, but exceeding, the projections SBC made to the FCC and the investment community.

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1 AT&T Comments, p. 47.

2 Ankum Aff. ¶ 29.

4. We are now in the process of applying that same process to the integration of SNET. It should be noted that, based on our pre-merger analysis, the Connecticut Department of Public Utility Control found that there would be significant synergies from that merger, including synergies in the areas of product innovation and cost savings.

5. In mid-April 1998, based on my experience and our success with the SBC/Telesis merger, I was asked to identify and quantify the potential synergies that could be realized from the integration of SBC and Ameritech. I have assessed these potential synergies as being valued at approximately $2.5 billion annually by the year 2003. I believe my assessment provides the appropriate basis – grounded in our experience of a recent merger of similar scope and magnitude, and backed by many years of operating responsibility – for identifying, quantifying, and realizing merger efficiencies.

SBC/Telesis Experience

6. Perhaps the best way to demonstrate that our predictions are credible is to explain in more detail the process we have employed successfully in the past, and to provide additional examples of the kinds of synergies that are achievable. After the approval of the SBC/Telesis merger, SBC drew upon the expertise of the combined Company's employees by creating over 50 "teams" comprised of people with specific knowledge of each area of operations. For example, we created a Computers/Data Processing Team, a Telemarketing Team, an Operator Services

Team, an Information Management Team, an Internet Team, and a Business Revenue Team.

7. We asked each team to identify specific ways in which it could implement and achieve efficiencies in its area of operations. Primarily, the teams were asked to consider methods by which the combined companies could: (a) avoid duplicative administrative support and business functions, (b) eliminate duplicative expenditures, (c) generate benefits through economies of scale, (d) improve operations through the use and development of "best practices," and (e) create opportunities to offer additional services. The teams identified potential efficiencies and recommended "initiatives" they believed SBC should pursue to generate those efficiencies. In all, the teams identified and are implementing roughly 350 initiatives, covering everything from advertising to wireless services. [3]

8. After identifying initiatives, each team set about quantifying the cost savings or revenue growth its initiatives will produce. Working directly with the teams, I became intimately familiar with the ways in which efficiencies can be realized through a merger, particularly a merger of local exchange companies.

9. Once we completed the process of identifying and quantifying merger efficiencies, we began implementing the initiatives and monitoring actual

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[3] For example, the Real Estate Team identified cost saving initiatives relating to, among other things: utility costs, facilities management, contracting and purchasing, planning, leasing, and system support. Similar identification of merger synergies has been done by each team.

performance against projections. That process has been in place for over one year and each team has provided a monthly update on its cost savings and revenue growth efforts. Currently, of the roughly 350 initiatives implemented, approximately 40 have been completed, about 290 are in progress, and some 20 have been terminated or deferred.

10. Our monitoring efforts confirm that our methodology for identifying, quantifying, and realizing potential merger efficiencies is reliable and accurate as projected cost savings and revenue growth are being realized. For example:

- The Directory Team devised initiatives to enhance products offered to customers, exploit economies of scale, and to eliminate duplicate expenses. The result: cost reduction and revenue benefits valued at $134 million by 2000, which exceeds our pre-merger estimate.

- The Operator Services Team created initiatives to eliminate duplication and generate benefits from best practices. The result: cost reduction and revenue benefits of $88 million by 2000, which exceeds our pre-merger estimate.

- One contract team took advantage of economies of scale to generate cost savings in equipment procurement valued at $41 million over the life of the contract.

11. Our monitoring further verifies that SBC is exceeding the cost savings and revenue benefits we estimated in 1996 in due diligence, and refined in the planning phase. As planned, SBC projected that integration initiatives would generate annual synergies (revenue, expense and capital benefits) worth approximately $2 billion by the year 2000. To date, SBC's integration initiatives are ahead of schedule for delivering these benefits.

12. Of course, these figures do not mean that each of SBC's 350 or so efficiency predictions has been wholly accurate, for on occasion we find that actual efficiencies generated by specific team initiatives deviate from the projected result. In those instances, we have studied and learned why those deviations occurred. This knowledge in turn has been quite useful in analyzing efficiency gains to be achieved through the SBC/Ameritech merger.

13. I have been able to bring to my current Ameritech analysis not only the 350 initiatives we implemented, but also the other concepts we considered as potential methods to generate efficiencies in that merger. To the extent our actual results for SBC/Telesis differed from our forecasts (cost savings or revenue gain more or less than projected), we have learned from those experiences and factored them into our current projections for this merger. Moreover, this methodology was further refined and is being employed in assessing and realizing the synergies available in our merger with SNET. As such, we believe SBC has developed an efficiencies assessment process of unprecedented credibility. Having done this before, we can do it again.

14. In light of our demonstrated success with identifying, quantifying, and realizing efficiencies generated through the SBC/Telesis merger, I cannot envision a more reliable method to predict the synergies that the SBC/Ameritech merger will generate. Here, as there, the same basic methodology for evaluating potential synergies applies, focusing primarily on best practices, elimination of duplication, and economies of scale.

15. Wireless service presents another example of the substantial benefits resulting from the SBC/Telesis merger. After the merger, SBC placed highly experienced, wireless executives from SBC in senior positions at Telesis. The result is an increase in marketing, sales, and network performance. SBC's wireless expertise enabled PBMS to dramatically accelerate the build-out of the PCS network and extend coverage to a greater number of POPs. The new management team more than doubled the wireless R&D budget, doubled the product line offerings, and significantly increased capital investments and cash operational expenses. As of the third quarter 1998, PBMS has 48 percent more subscribers than pre-merger projections. Moreover, using SBC's experience, PBMS has been able to offer lower rate plans, resulting in increased competition, and overall reduced wireless rates for customers. In addition, PBMS became the first wireless carrier in California to offer a rate plan with a single calling area that covers all of California and Nevada, so that customers pay no roaming charges for any calls made within that entire area.

16. Further, prior to the merger, PBMS was pursuing a "retail-only" sales and distribution strategy. SBC introduced a more broad-based distribution method incorporating company stores, independent agents, telemarketing, and a direct sales force. This permits a higher degree of customer contact at the point of sale, and allows PBMS to deliver better customer service by explaining the functions and features of the product at the time of sale. PBMS's pre-merger plan called for 49

stores, but under SBC's leadership, to date, PBMS has 195 stores and agents, an increase of 398 percent.

SBC/Ameritech Efficiencies

17. My initial affidavit explained in detail the efficiencies we have identified from the merger of SBC and Ameritech. They include $778 million in net new sales from effectively bringing valuable products and services to consumers through providing enhanced information and improved combinations of services. Notably, these increased revenue projections assume no increase in prices. The other major component is $1.4 billion in annual cost savings, which will increase our competitiveness.

18. Again, to respond to our critics, it may be helpful for me to provide additional specific examples that will illustrate the efficiencies we are confident the combined company can attain.

Innovation

19. Some commenters have argued that if SBC and Ameritech are allowed to merge, our incentives to innovate will be reduced.[4] The record shows that the opposite is true. The merger of SBC and Telesis resulted in accelerating the development and availability of new services.

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4 See Sprint's Cmts. at 65; Besen Decl. at 24-27; Baldwin Decl. at 64.

20. SBC's Technology Resources, Inc. ("TRI") provides technology consulting and expertise to SBC. TRI explores new ways to incorporate leading-edge technology into communications products and services that contribute to consumer satisfaction. TRI has over 300 employees and its 1998 budget was $73 million. Ameritech has no comparable organization and outsources some of the type of work TRI does for SBC.

21. Moreover, there are specific areas of operating improvement that SBC can transfer directly to Ameritech as a result of the merger. For example, SBC is deploying a product to use the Global Positioning System ("GPS") satellite network to monitor the location of repair trucks. TRI assisted in its application. SBC is installing this technology in its vehicles to improve utilization by allowing the company more effectively to dispatch drivers to service calls and to enhance driver productivity. In addition, the GPS technology has the added safety benefit of providing drivers access to emergency assistance at the push of a button. The planning assumption is that our transfer of this technology to Ameritech's technician fleet will be easy, quick and cost effective, will benefit Ameritech's customers by lowering service call waiting time, and will reduce the combined company's maintenance and repair costs.

22. SBC has proven experience in being able to transfer expertise in new technologies with our merger partners. For example, the commercialization of ADSL technology is one example of how the SBC/Telesis merger has contributed to bringing new technology to customers of the combined company. Prior to the

merger, TRI was developing expertise in telecommuting and other ADSL technical applications, while Telesis' ADSL expertise was in the area of working with Internet service providers (ISPs). In addition, Telesis developed a proprietary DSL Management System, which receives and coordinates service requests, provisions ADSL virtual and physical components, and distributes provisioning information. The DSL Management System provides support to multiple organizations within the telco and other external companies that perform different functions to process requests for ADSL service.

23. Following the merger, SBC/Telesis combined these complementary strengths to enable it to become a leading commercial provider of ADSL services. Beginning in July 1998, Pacific Bell began a large-scale deployment of ADSL services to 87 central offices that serve approximately 4.4 million households and 650,000 business customers. Through this effort, which I believe to be the largest undertaken by any local exchange company, SBC is gaining valuable knowledge regarding the marketing, pricing and provisioning of ADSL services.

24. In addition, beginning in September 1997, Southwestern Bell began a market trial to deploy ADSL services to four central offices in Austin, Texas. The Texas Public Utilities Commission has extended the trial through April 1999. Southwestern Bell plans to deploy ADSL in the first through third quarters of 1999 to all 271 central offices in Texas, Arkansas, Missouri, Kansas and Oklahoma.

25. Although Ameritech has announced plans to deploy ADSL services in its local exchange region, those announced plans lag significantly behind SBC's

plans. The merger will enable SBC to bring its expertise in ADSL technology, along with its valuable experience in a broad deployment of this service, to benefit customers in Ameritech's region. The result is that Ameritech's customers will likely have ADSL services more quickly and reliably than they would without the merger.

Best Practices

26. Contrary to our critics' argument, the SBC/Telesis merger demonstrates that combining the best practices of merging companies has been shown to result in significant cost savings and operational improvements. The following examples illustrate the types of best practice efficiencies that were achieved in the SBC/Telesis merger. These or similar initiatives will improve operations following the SBC/Ameritech merger.

> Prior to the SBC/Telesis merger, Telesis deployed new services in California in an average of 9 to 11 months from the time it acquired the technology. By combining best practices from both companies, Telesis is now able to deploy new services in California within an average of 6 to 10 months.
>
> By applying Pacific Bell's trunk and tandem design practices to SWBT's network, SBC eliminated the need to purchase numerous new tandem switches and hundreds of thousands of trunks. This resulted in capital expenditure savings approaching $50 million.
>
> By applying Telesis' best practices for design and operation of the company's outside plant, SWBT is experiencing a lower rate of dispatches and trouble reports. This means that SWBT is able to meet more of the installation and repair needs of customers more quickly and without a SWBT employee visiting a customer's home or premises. Fewer repair troubles translates to more reliable service for customers.

27. A comparison of current performance among SBC and Ameritech illustrates some opportunities for creating synergies through the sharing of best practices. For example, Pacific Telesis currently has about 70 percent of the dispatch and trouble volume that SWBT has, while Ameritech currently has an even greater volume than SWBT. Telesis currently completes an order without a dispatch over 85 percent of the time. Preliminary data suggest that Ameritech is only able to do so about 75 percent of the time. Thus, the merger will result in significant benefits through sharing of such best practices that result in better customer service, including fewer repairs for all of the combined Company's customers.

28. Another opportunity is in the area of operator services. The value of improving one second of SBC operator (both Operator Assistance and Directory Assistance) customer serving time (CST) is about $12 million annually. In the Telesis merger, we developed several initiatives aimed at improving Operator CST. Among these were: (1) automating the operator answering phase by deploying Southwestern Bell's Personalized Response System into Pacific Bell's Directory Assistance system (reducing CST by 0.3 seconds for $1.8 million annual savings); (2) further automating collect and third-party billed calls by enhancing the Pacific Bell Automated Alternate Billing System and applying it to Southwestern Bell's system (reducing CST by 1.2 seconds in Southwestern Bell's Operator Assistance for $1.8 million annual savings); and (3) reducing CST and improving accuracy by using a

best practice from Pacific Bell to improve the Southwestern Bell Directory Assistance database (resulting in a CST improvement of 1.1 seconds for $7.6 million annual savings). Based on preliminary data received from Ameritech, Ameritech outperforms SBC in customer serving time by approximately 2.5 seconds – which approaches a value of $30 million. By transferring best practices in this area, SBC should be able to reduce costs significantly and improve customer service.

29. Some of our opponents claim that the projected merger benefits could be achieved without a merger. This simply is not how things work in the real world. We have learned through the SBC/Telesis merger that having access to previously unavailable data makes numerous possibilities available; by merging, the companies gain access to one another's most proprietary information, making possible the exchange of previously confidential best practices, product innovations, marketing strategies and technical know-how. Sometimes, just having a new set of eyes examine an age-old practice results in the revamping of that practice in a way that would never have been considered before.

30. My experience has shown that a merger provides synergistic opportunities that simply would not be realized in any other way. For the most part, the actual synergies that occur cannot be discovered until the companies merge and begin the detailed planning necessary to integrate. In the Pacific Telesis case, the examples described above provided benefits that SBC did not anticipate prior to closing. The same is true for SNET. As it turned out, when we put our

heads together, the new SBC/Telesis lowered its costs by over $1 billion per year. We know that many of the 350 Telesis initiatives will pertain to Ameritech. We know that other new initiatives will be identified. And we know that we will find many best practices in Ameritech that will be transferred to SBC. These merger-specific benefits confirm that the best practices identified with respect to the SBC/Ameritech merger are highly credible.

Consumer Information / Marketing

31. SBC is proud of its unique skills in providing information to consumers about its products and services, and designing packages with a high appeal to consumers. SBC believes these skills will offer significant benefits to customers in Ameritech's region. One commenter maintains that there is no evidence that SBC's marketing skills are superior to Ameritech's.[5] I believe, however, that the following numbers speak for themselves.

32. The current rates of penetration for a variety of consumer vertical services in Ameritech and SWBT regions are as follows:

Service	AIT	SWBT
Caller ID	30.1%	49.1%
3Way Calling	10.8%	21.5%
Call Forwarding	8.9%	18.8%

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5 See Szersen Aff. at 4.

Repeat Dialing	6.6%	12.6%
Auto CallBack	10.8%	22.3%
Speed Dial8	1.2%	15.4%
Call Waiting	45%	51.6%

33. SBC clearly is doing something right. Our unique marketing know-how enables us to provide consumers the combinations of services they desire most. A key element of any success is offering packages of products and services to consumers at prices they find attractive.

34. We have successfully shared this know-how with Pacific Telesis, and are confident that we will be able to benefit Ameritech as well. For example, prior to the merger, Pacific Bell's penetration rate for Caller ID was about one percent and projected growth was well below the current achieved level of 11 percent. In addition, prior to the merger, Pacific Bell had only a few packages of vertical services that provided relatively modest (ten percent off retail) discounts to customers who bought multiple features, including Caller ID. Since the merger, SBC has introduced two new packages, both giving significant discounts to customers. One package, "the Basics," allows customers to purchase Caller ID along with three other features at a 22 percent discount below retail. "The Works" provides Caller ID with nine other features at a 54 percent discount. Pacific Bell now has a total of 1.8 million customers who subscribe to one of their five packages – over 450,000 of which subscribe to either the Basics or the Works. Overall, the

merger resulted in a 42 percent increase in penetration rates for residential features in Pacific Bell's region.

35. Of course, synergies work both ways, and SBC has a lot to learn from Ameritech. Directory publishing is one such example. Merging with Telesis provided $134 million in annual benefits (by 2000) related to new directory publishing practices. Currently, Ameritech appears to out-perform SBC in this area. In a blind study done by an independent party, many of Ameritech's performance measures were the best, or near the best, of the 9 to 10 companies surveyed. These indicators included the measure of expense as a percentage of revenues, and key measures of effectiveness.

Cost Savings and Consumer Benefits

36. Prior to the Telesis merger, and as my original affidavit states, SBC estimated $500 million of annual savings (by 2000) through procurement. As of July, 1998, 40 percent of that amount already had been achieved in our renegotiated contracts, and negotiations to achieve another 30 percent were pending completion. For example, the new SBC/Telesis was able to renegotiate an existing contract from one that provided SBC with a 30 percent discount, to one that gave the merged firm a 42 percent discount. This resulted in a total savings of $8.61 million over the life of the contract. Renegotiating another contract yielded a 3 percent savings for SBC, and a 20 percent savings for Telesis, resulting in savings of over $6 million over the life of the contract.

37. Some commenters have argued that certain cost savings, particularly in the area of purchasing, could be achieved without a merger through "buying clubs" or "buying consortia." These comments must have been written by lawyers rather than purchasing departments. To my knowledge, neither AT&T, MCI, Sprint, nor other major telecommunications companies have organized buying clubs to purchase switches or other equipment.

38. The obvious reason is that there are substantial costs to organizing such joint efforts across different companies, including the time and effort necessary to agree on the numerous product specifications; to agree on the RFP process; and to agree on all the various commercial terms and conditions of large-scale procurement. Each company has its own policies on these topics, and its own set of engineering practices, product plans, and technology deployment strategies that are difficult to reconcile. In our limited experience with attempting to organize such a purchasing consortium, we have learned that these issues take a long time to resolve among independent companies, if ever they can actually be resolved.

39. Like many other merger synergies, procurement also has secondary benefits. By renegotiating our switching contract after the Telesis merger, we reduced "Right To Use" costs for software, including software for new features. This will allow for faster, lower-cost deployment to customers on a broader scale.

40. I frankly do not understand how the commenters can maintain that the cost savings and best practices derived from the merger will do nothing to benefit consumers.[6] In addition to the types of benefits discussed above – such as greater service reliability, improved network quality, improved access to customer service representatives and technicians, and more attractive product offerings – the following are additional examples of ways in which consumers benefit when SBC has lower costs:

> Lower costs enable the Company to devote additional resources to positions that directly interact with the public. This has been especially evident at Pacific Bell where the total force of technicians and service representatives has increased 13 percent since the merger, with an increase of 790 technicians and 695 service representatives. Of the 2,900 jobs created since the merger, 57 percent have been in these two critical service categories. This means that customers receive better, faster, service.
>
> Lower costs enable the Company to invest additional resources in technology and product development. This means our customers receive lower-cost, higher-quality products and advanced technology more quickly than ever. SBC currently has a variety of products and services "in the pipeline." Everyone benefits by our ability to roll out these products in an expedited fashion to a broader group of customers.
>
> Lower costs enable the company to maintain low basic rates, which in California remain among the lowest anywhere. This also benefits our competitors who are often our customers too: Access charges in California remain among the lowest in the country.

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6 See, e.g., Baldwin Aff. ¶ 54.

41. Although some commenters allege that the merger will result in lowering the quality of customer service,[7] our experience with Telesis, however, demonstrates that, in fact, just the opposite is true. In the first twelve months since the Telesis merger, Pacific Bell's repair times have been reduced by an average of 60 percent and service installation times have been reduced by an average of 80 percent. Pacific Bell's informal complaint rate on repairs has been reduced by more than 50 percent, and repair and business office answering times have been greatly improved. In fact, the number of months those departments have exceeded their goals has risen by more than 100 percent. Moreover, surveys of Pacific Bell's large business customers have indicated an increase in satisfaction from 1997 to 1998.

42. As my testimony here demonstrates, synergies do produce consumer benefits, either directly, in the form of new products and higher quality services, or indirectly, when SBC passes on its cost savings in the form of additional investment and competitive prices.

43. SBC is confident that the estimated efficiencies for the proposed merger are backed by a sound, tested and proven method, as demonstrated through our experiences with both Telesis and SNET. We look forward to proceeding with this merger so that customers in both SBC's and Ameritech's regions can receive the benefits of the synergies described here.

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7 See Cmts. of Consumer Coalition at 19.

I declare under penalty of perjury that the foregoing statements are true and correct.

Martin A. Kaplan

Subscribed and sworn to before me
this 12th day of November, 1998.

Notary Public